# MATERIAL SHORTAGES: ALUMINUM

## HEARING

BEFORE THE

## SELECT COMMITTEE ON SMALL BUSINESS
## UNITED STATES SENATE

EIGHTY-SECOND CONGRESS

FIRST SESSION

ON

IMPACT ON SMALL BUSINESS OF
MATERIAL SHORTAGES

**PART 4**

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# MATERIAL SHORTAGES: ALUMINUM

**FRIDAY, JANUARY 26, 1951**

UNITED STATES SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the Senate caucus room, Senate Office Building, the Honorable John J. Sparkman (chairman) presiding.

Present: Senators Sparkman, O'Conor, Gillette, Hunt, Tobey, Thye, and Hendrickson.

The CHAIRMAN. Let the committee come to order, please.

Our hearing this morning has to do with the availability or non-availability of aluminum. We are glad to have all of you witnesses with us.

Our first witness is Mr. Bell, Director of the Light Metals Division of the National Production Authority.

We have a rather long list of witnesses. We have a schedule worked out here that would run us until 1 o'clock; but, in order to do that, we have to observe a rather close schedule on each witness. We don't want to cut any of them short. I simply offer that word of caution to members of the committee.

Mr. Bell, we are glad to have you with us. You have a prepared statement, I understand?

Mr. BELL. Yes; I would like to read it.

The Chairman. Go right ahead, sir.

## STATEMENT OF NIGEL H. BELL, DIRECTOR OF THE LIGHT METALS DIVISION OF THE NATIONAL PRODUCTION AUTHORITY

Mr. BELL. Mr. Chairman and members of the committee, my name is Nigel H. Bell, and I am director of the Light Metals Division of the National Production Authority. I am on an indefinite leave of absence from Sterling Windows, Inc., 369 Lexington Avenue, New York City, which company I have served as vice president in charge of sales for the last 3½ years.

Immediately prior to that, I was a special assistant to the Administrator of the War Assets Administration, chiefly in matters pertaining to aluminum, and this succeeded a similar position in the Surplus Property Administration. In the latter connection, I was closely associated in the preparation of the report to Congress on aluminum plants and facilities. Before that, and for approximately 3½ years, I held several positions in the Aluminum and Magnesium Division of the War Production Board, finally as Director of the Division. This is the background upon which I was called to assume my present responsibilities.

It is an unfortunate fact that the present primary capacity of our reduction plants is inadequate to fulfill all the defense requirements as they are told to us and at the same time satisfy all the demand of the civilian economy. Every present facility is being operated at full capacity, and reactivation of idle pot lines is moving forward with all expedition. Plans are well advanced toward the development of new capacity which will very substantially increase production. This will be a gradual expansion, and its full effect will not be attained until the latter part of 1952 or possibly in 1953.

Meantime we are faced with the task of making certain that all defense requirements and supporting essential needs are adequately supplied. The problem is to do this with the least impairment to essential civilian operation, particularly in relation to small-business enterprises. In order to do this, we carefully surveyed the potential supply of aluminum, including primary and secondary metal, together with estimated imports Against this we applied the defense requirements as related to us and determined the balance that can safely be permitted for other than defense needs. On such a predication we issued, on November 13, Order M–7, which established a base period against which a percentage civilian use was authorized. This order permitted a use by weight of aluminum of 100 percent during December 1950, and 65 percent during the first calendar quarter of 1951 of the average monthly use of aluminum during the base period January 1 to June 30, 1950.

Through a continuing evaluation of all the variable factors in the aluminum supply situation, we were able to determine, however, that it would be possible to lessen the immediate impact on industry and particularly on small business while still meeting defense needs. Accordingly, a month before the proposed reduction to 65 percent of base-period use would have become effective on January 1st we were able to announce, on December 1, 1950, that civilian usage would be permitted during the first quarter at 80 percent, 75 percent, and 65 percent, respectively, for January, February, and March.

This order, as to all our orders, allows for application for adjustment by any person for reason of hardship, or against him whom its enforcement would not be in the interest of the national defense or in the public interest. On this premise a number of requests for adjustment were filed with the NPA. In order to lessen interference with civilian production and upon the recognition that in many instances the specified base period could not be justly applied in every case, we issued two directions to the order. The first permitted any person suffering undue hardship through the use of the period January 1 to June 30, 1950, as a base to establish his use for December 1950 to determine an alternative base period which would permit him to operate equitably under the order.

The second direction extended the effect of this adjustment into the first quarter of this year.

These directions were appropriate because the number of requests for adjustment seemed to present a common problem and as the directions applied whether or not applications had been filed, we believed that these actions minimized the number of potential applicants for adjustments and enabled many small businesses to continue a reasonably satisfactory operation.

A number of applications for adjustment have been received since the issuance of the original order and many that were not automatically resolved by these directions have been adjusted individually, and in many cases by personal discussion with the applicants. Most careful attention has been given to the special problems of small business in the industry, and the advice of our Office of Small Business has been sought and utilized on many occasions.

On January 12, we issued an Order M–22 to become effective immediately and designed to regulate the segregation and distribution of aluminum scrap, in order to conserve aluminum and other critical alloying elements, such as copper, magnesium, and zinc. We have since modified the effective date to March 1, in order to give many small concerns the opportunity to make necessary adjustments. In the interim, we intend to consult further with as many segments of industry as possible. Upon these discussions will evolve facts which will determine what further modification may be necessary to perfect the regulation in every respect.

In order to make certain that ascendant requirements for national defense, including stockpile, are supplied and to assure that there will be no interference in the supply for essential defense-supporting products, it may be necessary to impose further restrictions. We now have under consideration an order which will prohibit the use of aluminum in certain nonessential items.

The preparation of such a list is not the jurisdiction of any one individual and the decision concerning individual products will result from careful review and consideration by the various products divissions of NPA and will be scrutinized by the several committees responsible for such review.

This, briefly, is the situation as I see it today.

The CHAIRMAN. Thank you, Mr. Bell.

Senator Gillette?

Senator GILLETTE. Just one very brief question: In your survey of supply, you spoke of primary and secondary metal. By "secondary," do you mean scrap metal?

Mr. BELL. Yes.

Senator TOBEY. Have you made an investigation as to the extent of the reduction which would result from this defense order?

Mr. BELL. Yes; we have made a survey.

Senator TOBEY. The one you are to issue in the near future?

Mr. BELL. That survey is not conducted by me individually, sir.

Senator TOBEY. Will you have that before you, before it is put into effect?

Mr. BELL. Yes; I will.

Senator TOBEY. Presuming it went into effect tomorrow morning, wouldn't it be possible to lessen the blow to small industries to see that these small industries get part of the defense orders, and the necessary aluminum to fabricate them, instead of giving it all to the large units?

Mr. BELL. There is no intention to give it all to large units.

Senator TOBEY. Will you have the burden upon your heart to see that the little industries are cushioned as much as possible in the application of these things?

Mr. BELL. I certainly shall, sir. My whole position has been one of very practical approach. I have been very much concerned with

the gap that might exist between such restrictions and regulations, and the impact of the defense requirements; and everything that I can do personally, by conversation with people that were indifferent, has been with the primary thought in mind of tiding over that situation.

Senator TOBEY. The official arbitrariness can be softened into a kindly, understanding, and sympathetic interest, if there is the will to do it.

Mr. BELL. We have tried to do that most effectively.

Senator TOBEY. I wouldn't for a minute think you hadn't, sir.

Mr. BELL. We have had hundreds of people come in, and the strange thing is this: that while they realize the difficulty that they have been put in, they have been most appreciative of the facts I have given them as to what may be in the future for them.

Senator TOBEY. You and I know that in the last war they came under price controls, and so forth, and so many came down with timidness in their hearts, and they went up to headquarters and put their case before them, and were given abrupt treatment: "That is the law. Take it and like it."

They came down to us with a prejudiced heart against government. What we are trying to do is soften that thing, and have an understanding heart for the little manufacturers' needs.

Mr. BELL. I have no tolerance for such attitudes.

Senator TOBEY. You realize that difficulties did exist.

Mr. BELL. Very definitely.

Senator TOBEY. You give some men authority and give them a job and they are transformed overnight; they become a superbeing, and how they love to dish it out.

Mr. BELL. Some of us have been on the other side of the fence, and we understand these situations.

Senator TOBEY. Yes; I know. There is a Fellow who was around here 2,000 years ago who had the answer. He said "I am among you as one that serves." Let them get that gospel in their heart, and there will be less prejudice going on in this country.

Mr. BELL. Well, as far as I am concerned, in my division—and I am sure the NPA's entire attitude, is one of toleration and understanding of the problems that are caused by this.

Senator TOBEY. I am sure you have, and I am glad I had this exchange with you, sir.

Mr. BELL. I appreciate the opportunity, Senator.

The CHAIRMAN. Senator Hendrickson?

Senator HENDRICKSON. Mr. Bell, what percent of the available supply, certified, not merely estimated, is being needed by the military agencies of Government?

Mr. BELL. May I check with counsel on that? That may be restricted information.

I would be very happy to make that information available to the committe in writing, or in executive session.

Senator HENDRICKSON. I would appreciate that very much, sir. Thank you.

The CHAIRMAN. Mr. Bell, do you know of any production schedule set up by any agency yet that justifies withdrawal of the complete aluminum supply from civilian use?

Mr. BELL. Do you mind repeating that question?

The CHAIRMAN. Do you know of any production schedule set up by any agency that justifies withdrawal at once of the complete aluminum supply from civilian use?

Mr. BELL. I know of the existence of such tabulations, yes; but it will not be complete withdrawal of civilian use—it will be withdrawal from nonessential production, as the items may be determined.

There certainly will be permitted essential civilian use.

The CHAIRMAN. Who will make the determination as to what are the essential and nonessential uses?

Mr. BELL. As far as the National Production Authority is concerned, the first decision and review would come from our product divisions, depending on the end use item that is being considered, and then that is studied by varying committees, finally going up to, I think they call it the Priorities Administration, or committee, which is an interagency committee, for review.

The CHAIRMAN. Is the industry—do you have an industry committee that this matter is discussed with?

Mr. BELL. The product division has been conducting hearings with various industry committees; yes.

The CHAIRMAN. Mr. Bell, will you be able to remain here to hear the other witnesses; would your time-table permit that?

Mr. BELL. I would be glad to do it, sir.

The CHAIRMAN. I think if we have the same experience we had last week with some of the processors and jobbers—I think it would be very helpful.

Mr. BELL. I would be glad to.

The CHAIRMAN. Thank you very much for coming, and if you can stay we would appreciate it.

Mr. Roy Richards, president of the Southwire Co., Carrollton, Ga.

We are glad to have you with us, Mr. Richards. Do you have a prepared statement?

Mr. RICHARDS. I do have; yes, sir.

The CHAIRMAN. Go right ahead, Mr. Richards.

## STATEMENT OF ROY RICHARDS, PRESIDENT OF THE SOUTHWIRE CO., OF CARROLLTON, GA.

Mr. RICHARDS. I am Roy Richards, president of the Southwire Co., at Carrollton, Ga. I will make my case as brief as possible.

The Southwire Co. was formed early this year and began manufacturing copper and aluminum wire and cable in April and May. We serve utilities, transmission contractors, municipalities, and other pepple in the electrical industry. We are the only manufacturer of electrical conductors in the State of Georgia.

Aluminum rod orders were placed in March and April of this year. Aluminum rod orders were placed with Alcoa on the strength of favorable past association with that company and the sales effort of their Atlanta office.

As soon as aluminum became critical our supply was cut off. Orders for the balance of the year previously confirmed were voided and sent back to us.

Certainly, it is inconsistent with our over-all national security to have a new small industry, with our potential, threatened with com-

plete shut-down. We recognize that defense orders must take priority. However, we do feel that our company is entitled to a share of the aluminum rod comparable to other wire and cable companies. We do not feel that it is just for our company to operate on a twelve percent capacity when other fabricators, including Alcoa's own wire facilities, are operating at 50 to 60 percent of capacity. Our breakeven point is somewhere between 40 and 50 percent of capacity, and we are now operating at around 12 percent, so you see that we are operating considerably in the red. We have been doing that since July.

We trust that this body will see fit to give us, by directive if necessary, an allocation that will enable us to operate on a survival level.

You will appreciate that our company was being formed early in this past year and does not have a historical pattern on which to draw an allocation, and we were absolutely at the mercy of the big companies when it came to an allocation program, and that is the reason that we appeal to this body.

The CHAIRMAN. Thank you, Mr. Richards. Senator Gillette?

Senator GILLETTE. No questions, Mr. Chairman.

Senator HENDRICKSON. No questions, Mr. Chairman.

The CHAIRMAN. It seems to me that certainly the statement you make is a good one, and the plea that you make is justified.

Your line of business, you think, is surely included in essential products?

Mr. RICHARDS. Yes, sir. That is the type of product we manufacture.

The CHAIRMAN. Is that used in buildings, or what?

Mr. RICHARDS. This is primarily in electrical distribution and transmission work. This is the only bare hard-drawn wire and cable. This company has no other sources of income. We only manufacture copper and aluminum cable. I might add that our copper supply is in the same position as aluminum.

Senator TOBEY. Who are your customers; who do you sell to?

Mr. RICHARDS. Our customers are the utilities in the South, the power companies, the municipalities, REA, and other people in the distribution of electric.

Senator TOBEY. And that is essential in the distribution of electric?

Mr. RICHARDS. It is; yes, sir. I think it has been exempt——

Senator TOBEY. Supposing you are shut down by this ruling and do not operate. Who gets the business?

Mr. RICHARDS. The bigger companies get the business.

Senator TOBEY. And, therefore, the net result is that a little company is crucified and put out of business, while the bigger ones are made bigger than before?

Mr. RICHARDS. That is right, their business is operating at 50, 60, and even 70 percent of capacity.

Senator TOBEY. And you are penalized, because you are new?

Mr. RICHARDS. That is right.

Senator GILLETTE. How many employees?

Mr. RICHARDS. We have about 30 employees at the present time operating on 12 percent of capacity.

Senator GILLETTE. Before the cut-back, about how many?

Mr. RICHARDS. About the same. We should have a hundred employees if we could operate at 50 or 60 percent of capacity.

The CHAIRMAN. Thank you very much, Mr. Richards.

Mr. Alex Andrews, Consolidated Venetian Blind Co., Houston, Tex.

## STATEMENT OF ALEX ANDREWS, VICE PRESIDENT OF CONSOLIDATED VENETIAN BLIND CO., HOUSTON, TEX.

Mr. ANDREWS. My name is Alex Andrews, vice president of the Consolidated Venetian Blind Co., of Houston, Tex.

About 3 weeks ago we were informed through trade channels that an aluminum-conservation order was imminent, which would prohibit the use of aluminum in a list of some 287 items, including venetian blinds. Anticipating the effects of such an order upon the industry and in particular upon our company, we took immediate steps to ascertain the facts. To obtain this information, we found it necessary to come to Washington. We spent 3½ days seeking information, calling on the Department of Commerce, NPA, and the Navy Department. At the Department of Commerce we called on the Bureau of Public Information. At NPA, we visited the Acting Director of the Consumer Products Division. At the Small Business Division, the Office of Industry and Commerce; the Division of Material and Equipment Assistance; the section head handling venetian blinds, bristles, and ceramics; the Industrial Operations Bureau and the Director of Light Metals.

At the Navy Department we visited the offices of Small Business, the Bureaus of Supply and Accounts, Aeronautics, and Ordnance.

After we felt that we had exhausted the available sources of information, we returned to our place of business in Houston, and after coordinating and assimilating the facts and information we obtained in Washington, we wrote a letter to Mr. Thomas W. Delahanty, Acting Director, Consumer Goods, Industry Operations Bureau, NPA, reciting our case from which I quote as follows:

1. We are one of six top-ranking venetian blind manufacturing companies in the country; the largest in the South; produce only aluminum venetian blinds, and therefore, have no established sources for other material.

2. Our five principal competitors produce either no aluminum blinds whatsoever, or only a small percentage of aluminum in their total production.

3. Prohibition of the use of aluminum or a substantial curtailment in its usage in our production, would cause not only an unusual hardship, but also would create a discriminatory situation, viz:

(*a*) We would be the only large manufacturer of venetian blinds forced out of the market. We cannot obtain steel under the present system of voluntary allocation, as we have no base period with steel suppliers; our competitors use mostly steel and can continue operating; we would lose these markets forever; this is definitely discrimination.

(*b*) The over-all annual usage of aluminum by the industry as per figures recently compiled by the Venetian Blind Association of America, totals 20,000 tons or less than 10 percent of the total of 215,000 tons of steel used, however, as applied to our case, our annual requirements are approximately 1,000 tons of aluminum. Therefore, our requirement of aluminum and steel is diametrically opposite to the requirements of our principal competitors and the industry at large. This is because of climatic conditions in the territory we serve where only aluminum will satisfactorily withstand the elements.

(*c*) We employ 185 people, have an investment of over $750,000 in plant facilities, the idling of which would cause bankruptcy. No useful purpose could be served in the war effort to idle these facilities and bankrupt this business.

4. The following suggestions are offered to solve our problem.

(*a*) As we are a hardship case because we serve the Gulf coast area where other materials will not withstand climatic conditions, permit us to make blinds for all types of installations, including war plants, industrial, commercial, educational, institutions and housing. Contrary to some misconceptions, more than 90 percent of all venetian blinds produced go into housing.

(*b*) Alternative (1) Do not include venetian blinds in the order and after a reasonable period (4 to 6 months) evaluate the situation again. Meanwhile, under M 7 a substantial quantity of aluminum will be conserved for the war effort.

(*c*) Alternative (2) Make provision for a user, similar to one in our circumstances, to continue under M 7, provided user also engages seriously in defense work (other than producing venetian blinds).

5. The foregoing if acted upon favorably will keep our organization together, make our facilities, experience, ability and know-how available for defense work and will allow sufficient time to obtain defense contracts and to concurrently produce a limited quantity of venetian blinds while doing defense work.

6. A list of our facilities is attached. We are now in the process of securing war work, and a casual inspection of the attached list will enable you to visualize the importance of utilizing these facilities in the war effort which, otherwise, if prevented from doing so, we would be put out of business and be unable to make a contribution in taxes or to the defense effort, because our assets would be completely dissipated.

Your prompt consideration will be greatly appreciated.

We have not as yet received a reply to this letter; meanwhile, we have submitted two quotations on prime contracts and have received invitations and blueprints on several more. Last week we filed the necessary qualifying forms to be placed on the bidders list at Wright Field, Dayton, Ohio. In an effort to get subcontracts, we are negotiating with the Consolidated Vultee Aircraft Co. of Fort Worth, Tex., and other prime contractors in this area. In other words, we are resorting to all avenues open to us to obtain defense work. We are hopeful of getting war contracts, but we are fearful that considerable time, perhaps 4 to 6 months will elapse before we are successful in doing so.

In conclusion, we respectfully plead that our situation, as outlined in the letter above quoted, be given prompt and favorable consideration and that this entire problem be given due and deliberate consideration before any further steps are taken to put us out of business and immobilize our facilities, equipment, and experience by prohibiting the use of aluminum in our product.

CONSOLIDATED VENETIAN BLIND CO.,
*Houston 8, Tex.*

GENTLEMEN: We offer for your consideration a list of equipment and facilities that we can make available for your requirements. (See enclosures.)

In addition to these tangible assets we can offer production and engineering experience that has been developed profitably in one of the most competitive manufacturing businesses in the country. We are manufacturing venetian blinds, which consist of 69 separate parts of steel, aluminum, wood, fabrics, and plastics. We fabricate these many materials through numerous processes, and still maintain a cost that will enable us to sell competitively to firms such as Sears, Roebuck in Chicago over 1,200 miles away.

We also manufacture window fans and exhaust fans up to 48 inches in diameter and distribute them through the Southern States.

Our engineers have had a varied experience in metal stamping, fabricating, baked-on coating and assembly. We are accustomed to producing quality workmanship and are not afraid of close tolerances.

We can work sheet steel up to 14 gage easily and work aluminum much heavier. We have the only narrow strip continuous reducing rolling mill in the Southwest. We are experienced in welding both aluminum and steel.

Since a day's production in our present plant involves the assembly and packaging of over 300,000 separate parts, we feel we are qualified in handling materials and assembly problems.

Other equipment is available in this area to supplement equipment we do not own.

Your request for bids or quotations will get our immediate attention.

Very truly yours,

EDW. C. JAMES, *President.*

EQUIPMENT LIST

High production sheet metal tools:

Punch presses:

1 100-ton Vernon, 24- by 36- by 5-inch stroke.
1 40-ton Reese niblick, 12- by 22- by 3-inch stroke.
1 40-ton Diamond, 14- by 22- by 5-inch stroke.
1 14-ton Diamond, 8- by 16- by 2-inch stroke.
8 30-ton Pressrites, 11- by 18- by 2-inch stroke.
12 6-ton Pressrites, 6- by 12- by 1½-inch stroke.
3 1-ton kick presses, 2-inch stroke.
1 30-ton fast-feed 6 by 18 press, 2-inch stroke.

Roll forming machines:

1 9-stage Yoder with flying cut-off.
1 11-stage Rafter with flying cut-off.
2 7-stage Maplewood with flying cut-off.
1 9-stage Maplewood with flying cut-off.

Slitters: 1 No. 2½ to 30-inch Yoder slitting line.

Cold reduction mill (aluminum, steel, brass, etc.):

1 6-inch Stand Lewis rolling mill (only one in Southwest). Can reduce materials less than 6 inches in width down to very thin coils to close tolerances.

Other automatic equipment:

1 automatic screw driving machine (National).
1 automatic tapping machine, 8 spindle (Etteo).
6 automatic tapping machines, single-spindle.

Sheet metal tools:

1 16-foot power shear, Hyman, 10-gage steel capacity.
1 6-foot press brake, Chicago steel, 10-gage capacity.
1 30-inch circle shear, Whiting, 12-gage steel capacity.
1 Venturi rolling, Mell, 48-inch diameter by 12-gage capacity.
1 shear, 48-inch Peckstow, 18-gage capacity.
2 Chicago pneumatic squeeze riveters, 24-inch throat.
1 18-inch crescent band saw.
5 Walker Turner 14-inch drill presses.

Welding equipment:

1 Lincoln arc welder, 250 amperes.
1 Will Weld arc welder, 200 amperes.
1 50 kilovolt-ampere automatic spot welder.
1 30 kilovolt-ampere spot welder.
2 10 kilovolt-ampere spot welder.
3 sets, complete, gas welding and cutting equipment.

Tool room equipment:

1 milling machine, Universal, Brown & Sharpe, No. 3 with measuring rods for jig boring.
1 milling machine, Universal, Van Norman, No. 22 P.
1 tool room lathe, South Bend, 16 by 108 inch.
1 tool room lathe, South Bend, 10 by 26 inch.
1 lathe, Clausing, 10 by 30 inch.
1 grinder, Universal, No. 4.
1 surface grinder, Norton, 6 by 18 inch.
1 tool grinder, Stanley.
1 drill press, Excelsior, 21 inch.
4 drill presses, Walker Turner, 14 inch.
1 die filing machine, Oliver.
1 metal saw, 18 inch throat, Do-All.
1 hydraulic press, Dennison Multipress.
1 20 inch shaper, Gould & Eberhardt.
1 7 inch shaper, Ameo.
1 18-inch band cut-off saw, 18 inch throat.

Tool room inspection equipment:
1 set Hoke gage blocks.
1 comparator: Miscellaneous inspection plates, height gages, straight edges, precision levels, etc.
Heat treating equipment:
1 Burrell high temperature furnace.
1 Hoskins electric furnace.
Finishing equipment:
3 complete Devilbiss spray booths 8 feet wide with water wash and Devilbiss pressure pots.
1 Ransburg electrostatic painting set-up with conveyorized baking oven.
5 continuous automatic cleaning, alodizing, painting and baking lines for metal strip.
1 vapor degreaser 42 by 72 by 60 inch.
1 steel strip cleaning and phosphating line to prepare strip in coils for painting.
Handling equipment:
1 5,000 pound Cleveland lift truck.
1 2,500 pound Hyster lift truck.
1 Clark tractor and trailers.
Numerous skids, dollies, conveyors, bins on casters, etc.
Auxiliary and supporting equipment:
Numerous conveyors.
Trackage to all loading points.
Scales, air compressors, etc.
75,000 square feet factory area, permanent buildings.
100,000 square feet land area available for expansion.
Other equipment—open and available in our immediate area:
All types foundry, steel, cast iron, brass, aluminum.
All types plating.
All types screw machine, multimatic, etc.
All types grinding.
All types heat treating.

The CHAIRMAN. Thank you, Mr. Andrews.

Senator TOBEY. What was the date of the letter you wrote to Mr. Delahanty?

Mr. ANDREWS. It was about December 10 or 11.

Senator TOBEY. And, to date, January 26, you haven't had a reply?

Mr. ANDREWS. That is right.

Senator TOBEY. Have you followed it up and asked why not?

Mr. ANDREWS. No, sir; we have not.

Senator TOBEY. I hope you won't go back to the South where you come from and feel that is typical of the way Government answers correspondence.

Mr. ANDREWS. We realize that they are busy. We also realize that we have to have some action and attention given to our problems in order that we might remain alive.

Senator TOBEY. And know where you stand.

Mr. ANDREWS. That is correct.

Senator TOBEY. You wouldn't have objection to this committee calling Mr. Delahanty and asking why your letter hasn't been answered; would you?

Mr. ANDREWS. No, sir; I wouldn't.

Senator TOBEY. We will try to get an answer today.

The CHAIRMAN. Mr. Andrews, I don't quite follow your date in your statement. You start off your statement saying about 3 weeks ago you learned that this order was to be issued. You came to Washington to get such information as you could, and then you returned home and wrote the letter. Three weeks ago would have been in January.

Mr. ANDREWS. That is right.

The CHAIRMAN. How could you have written a letter sooner?

Mr. ANDREWS. I was here on New Year's Day, and I made my visits on the second day of January, and I returned to Houston on Friday night and we got our letter off on the following Monday or Tuesday.

The CHAIRMAN. You meant January 11 instead of December 11.

Mr. ANDREWS. That is right. I didn't mean to say "December."

The CHAIRMAN. So, it was about 2 weeks ago.

Mr. ANDREWS. That is right.

The CHAIRMAN. Senator Hendrickson?

Senator HENDRICKSON. I have no questions.

The CHAIRMAN. What effect will this proposed order have to the venetian-blind industry? Do you consider the venetian-blind industry as coming within the definition of essential production?

Mr. ANDREWS. I believe that venetian blinds can be dispensed with, together with thousands of other articles. As far as our particular business is concerned, it is very essential to us. We feel that we have an important position and part to play in the defense effort; and, if we aren't given a chance to perform, then the very purpose of trying to mobilize this country is being defeated.

The CHAIRMAN. I know, but you say you have a part to play in the defense effort. Would it be to continue to make venetian blinds?

Mr. ANDREWS. To continue until such time as we are able to convert into war work.

The CHAIRMAN. In other words, your plant is capable of conversion?

Mr. ANDREWS. That is correct.

The CHAIRMAN. Are you trying to get any orders?

Mr. ANDREWS. Yes; we are. We have prepared a very fine brochure. I have the proofs with me here today. The brochure is in the printer's hands at this moment, and we have quite a bit of equipment; we are qualified; we have a good engineering staff. We have our own machine and die shop, and we can do a lot of work, but we cannot utilize these facilities if we are put out of business, and this order will put us out of business.

The CHAIRMAN. And I suppose, too, if you have got to drag over a period of 6 months while waiting for orders, you will be up against it?

Mr. ANDREWS. Yes; we will. We will not be able to retain our organization, and utilize these facilities for that reason.

The CHAIRMAN. What will happen to your trained manpower during that period of time?

Mr. ANDREWS. They would go elsewhere; we would lose them. We would lose our organization.

The CHAIRMAN. In other words, your organization would be disrupted?

Mr. ANDREWS. That is right.

Senator GILLETTE. One question.

I understood you to say that there is no competition in your area for your particular type of venetian blind.

Mr. ANDREWS. There is not any among our five principal competitors; that is right, sir.

Senator GILLETTE. Then, if it were necessary for you to stop manufacture, there is no other source that could come in as a competitor and take over your market?

Mr. ANDREWS. That is not quite true for the reason that the five principal competitors make for the most part blinds of steel, and they would come into that market, which we would lose if we were not able to serve it. We have been in business 28 years.

Senator GILLETTE. Not those that use aluminum. It would be venetian blinds manufactured of some other material?

Mr. ANDREWS. That is right.

Senator HENDRICKSON. Mr. Andrews, how long would it take you to convert?

Mr. ANDREWS. We presume it will take somewhere between 4 and 6 months.

The CHAIRMAN. Thank you very much, Mr. Andrews. We appreciate your coming before us.

Mr. C. H. Guy, sales manager, Hunter-Douglas Corp., Riverside, Calif.

## STATEMENT OF C. H. GUY, SALES MANAGER OF THE HUNTER-DOUGLAS CORP. OF RIVERSIDE, CALIF.

Mr. GUY. My name is C. H. Guy. I am vice president of the Hunter-Douglas Corp., who have plants in Riverside, Calif., and Long Island, N. Y.

We are fabricators of aluminum coil strip, employing about 700 people, and selling most of our production to venetian-blind manufacturers, who cut the slat stock to the required lengths, and then process it into a finished venetian blind.

Our distribution system is national.

The projected aluminum order now under consideration eliminating various end products completely, one of which is venetian blinds, would create damaging hardships in two directions: One, there are approximately thirteen to perhaps fourteen hundred small manufacturers who depend either exclusively or principally on aluminum venetian-blind slat material. They produce approximately one-third of all the venetian blinds made by the entire blind industry. They employ approximately 15,000 people, mostly unskilled. They have single-purpose equipment, which makes their conversion problem most difficult, although not insurmountable. They need more time for conversion, for they lack engineering talent.

I sincerely believe that complete elimination of aluminum will force a high percentage of these manufacturers out of business, and that is a considered statement, and not just a horseback opinion.

Secondly, our company started several months ago to build facilities suitable for the manufacture of defense items. It will take us another 6 months for selection of these facilities, and then in all probability another 3 months before we could get into production. This might be plus or minus 10 or 15 percent. You never know what trouble you have getting into new production.

We, like the 1,400 venetian-blind manufacturers, need a little time. We have the know-how, the research, the engineering, and the plants to fabricate and work aluminum. We want to preserve our key manufacturing personnel, if at all possible, along with our research, engineering, and know-how for defense work when war contracts become available. It would be most helpful if the timing of an end-use order could be reconsidered.

The CHAIRMAN. Thank you, Mr. Guy.

Your plant is capable of doing war work?

Mr. GUY. Yes.

The CHAIRMAN. How long would it take to convert? I suppose that would depend on the product to be made?

Mr. GUY. It depends on the product. We have had our facilities reviewed, suggestions made. We need new equipment because our present equipment, making only a narrow 2-inch strip, has very little application. You have to get into wider strip for most defense contracts, whether prime or subcontract.

The CHAIRMAN. What you want is to have an extension of life until you can get some defense contracts?

Mr. GUY. We call it just a little more elbow room.

The CHAIRMAN. Thank you very much, Mr. Guy.

Mr. J. P. Travis, Universal Corp., Dallas, Tex.

We are glad to have you with us, Mr. Travis.

## STATEMENT OF J. P. TRAVIS, PRESIDENT OF THE UNIVERSAL CORP. OF DALLAS, TEX.

Mr. TRAVIS. Mr. Chairman and members of the select committee, I have got a bad voice today, but I will do the best I can to make myself heard.

I don't have much to complain about. I am president of the Universal Corp. located at Dallas, Tex. In peacetime we manufacture what we term "metal-glass buildings," including aluminum windows. We also manufacture what we call solarized buildings. There is a little bit of literature in that envelope that might help clarify what we make.

In 1941 we got into war work, not because we were exactly patriotic, but we were forced into it. We did a wonderful job; we won the Army-Navy E, the first in the Southwest. We worked 15 hours a day. We were never late on a production schedule throughout the war, in spite of the fact we lost our fabricating plant in a four-alarm fire. It burned to the ground and still we finished our contracts.

We did precision work, such as the manufacture of a precision rocket for the Navy, an airplane rocket, not the barrage rocket.

Now, considering the war over in about 1946, we started converting to peacetime manufacture, and today we are doing a good job. We have designed and fabricated aluminum, stainless steel, and bronze in certain cases into some of the finest buildings in the country. Here are photographs of buildings in Dallas, Los Angeles, two jobs going up in Chicago with no masonry whatsoever on them, from the penthouse down to the sidewalk. It is our design, our manufacture, and our erection. This is the Prudential job in Los Angeles. That is a solarized building in Florida. That is the Waterman steel-ship job in Mobile, Ala.

Now, we find that our business is predicated in the very top structure of the monumental type field. It is the top end of the expansion of the construction industry. So, we recognize that during any kind of emergency that we do not have to think about it. We know our clients are gone; so we have to hibernate.

We are glad to be patriotic, but we have to go into war work because our clientele is going. We don't have a customer any more. Buildings like that are not being built with a war on.

We do not come up here as particularly a distress case, because we are not cry babies. We will take care of ourselves, but we do have to have a sympathetic understanding of any problem. We have about 12 contracts that aggregate about $1,200,000. They were all acquired before December 1. They are all big jobs; they are all going to be built. Now, for this entire month, I have spent my time with the biggest aircraft companies in this land. I have been rubbing elbows with the colonels at those plants. I know what their needs are. I do not think they know too much now, because there is lots of confusion even in the air plants, but I know their program. I think we are needed by July.

We are trying to negotiate about a $10,000,000 contract, and we would like to start it in July. If we do not get that job—however, I think we will, because I think the Air Corps will tell you we are needed. I think it would be a little unfair for me to tell you why we need it, but they are building some pretty big planes, including the B–36, and they need some subcontractors.

It is wrong to manufacture ware in San Diego and then haul it in, it is nice to have compact contractors close by Fort Worth.

Now, what I want to do, I have got a very simple little baby request to make up here, and I am going to see Mr. Bell about it, and I think surely we will work it out. It involves only about 400,000 pounds of aluminum, which is normal for us, for February, for March, for April and May. We are entitled to that, according to the M–7. Of course we would like to be sure that we have got that. Then we want Mr. Bell to tell us, after review of this, that since these jobs are going to be built, it is nonsense for me to string them out for a year to get rid of them and starve to death or operate at a substandard level, so if the Government so elects that I shall stand by, it would be the easiest way out for me. This going into a war plant is hard work. If I were salaried, I wouldn't mind.

Monday I think we will surely get an appointment. I am sympathetic entirely with Mr. Bell's problems. Thirty minutes, I think, will let us make our statement to Mr. Bell. Now, if we don't have too many bureaus that cannot make common sense, I think we can get rid of it. I am just asking for an opportunity to prepare for this war. They are talking about subcontractors getting into it. Here is one that is trying to get into it. Here is a sales kit, if you would like to look at that. That shows our record. We have spent $10,000 making just one estimate, and for the sake of other contractors, small contractors—and I am small compared with the others down in Texas and own 52 percent interest in my little business which I have built up since 1925—I do want to tell this committee that you cannot give these contractors, big or little, too much help. Reconversion is not only expensive, but it is difficult. The newspapers do not intend to tell the wrong story, but it is not like you read in the newspapers. It is hard to sell Government contracts. You have got to know your stuff. You have got to have good engineering. I have never had the Government come in, or anybody come and help me with tooling, and all that stuff. You have got to do it yourself. You have got to be resourceful.

We are making an effort now for Mr. Bell to let us fabricate in 3 or 4 months what we are going to fabricate in a year. We are not asking for a darn thing, we have got most of the material out there. I want to chew it up and get rid of it.

Gentlemen, I have got a corpse in the back of my factory. I want to bury him, and there is no need for that to stay back there if they need what they say they need here. They tell you we are in an emergency, and if they are, they can tell where people can get war orders. Well, let me clean my plant so I can go get them.

According to the schedule, the way M–7 is set up now, I would be all this year chewing it up a little at a time.

I have got the aluminum, I have got $300,000 or more, maybe a half million dollars worth of it. I only need a little bit; I am entitled to it. Alcoa surely would give it to me, because I am entitled to it.

Now, what I want Mr. Bell to tell me, or the National Production Authority to tell me, is that they will permit me to run at reasonably full force so I can have my plant reasonably by July. Now, if I go into this, I want to tell you what it involves. I have got to spend from $300,000 to a half million dollars. I have not got it, I have got to borrow it and take the risk, but there is a war on. I have got to rent, if you please, 125,000 square feet of factory space. Is that patriotism? To me, I am forced to it, but to you and to Mr. Bell, and the rest of these people up here running this war, it is what they say they need. Now, I am just doing my full part. I am asking for very little.

I have nothing else much to say. I had a big long speech, but I decided I would not burden you with it.

The CHAIRMAN. We will include your speech in the record at this point.

(The prepared remarks of J. P. Travis are as follows:)

STATEMENT OF J. P. TRAVIS, PRESIDENT AND GENERAL MANAGER, UNIVERSAL CORPORATION, DALLAS, TEX.

Mr. Chairman and Members of the Senate Select Committee, the writer deeply appreciates the honor which you have paid him in asking that he come before this committee. In your invitation you ask that testimony concern material shortages in the aluminum industry, as related to our Armed Forces, and particularly to the large number of American industries known as small business.

By small business we usually allude to those firms of 500 employees or less. Probably 85 percent of the total employees of America are working for small business; and as little as 15 percent for big business—or large-scale capitalistic enterprise.

The writer and the Universal Corp. whom I serve as president and general manager are concerned with our particular category—small business. We are one of 17,000 independent fabricators, employing perhaps 3,000,000 people, and are a segment of small business. Our suppliers of basic materials probably employ no more than 50,000 people.

Materials used by these 17,000 independent fabricators are principally aluminum, bronze, and stainless steel, some carbon steel.

The matters which are being discussed here are vital. The decisions will be historic. These decisions will deal with capacities in aluminum, bronze and stainless steel. Last but not least, these decisions will deal with the independent light metal fabricators of America and their businesses—and the approximately 3,000,000 employees involved.

It is my purpose to try to present information that will forestall premature and destructive restrictions. It would be easy indeed to tamper with the adjustments of our economy through the agency of human controls to the point where these 17,000 independent fabricators would be forced to lose their skilled workers, and those skilled workers forced to find other employment. Finally, after the

emergency has progressed a bit, they are given some war orders at a time when they have lost much of their skilled labor, and much of their material-supply base. Many of them are out of business. That is what we must avoid.

Small business almost in its entirety today is asked to "cease and desist" from the sale, promotion, and manufacture of commercial products. Small business faces the difficult and dangerous problem of reconversion. Few people understand that reconversion is almost like going in business from the start. It means, many times, more capital, new tools, new plant facilities. It means, many times, almost new supervision and to a large extent, new factory labor.

This Nation should heed the facts in these cases and should give small business an opportunity to "feather edge" from its commercial adventures and activities into production of munitions of war. To go through a transitory or reconversion period at this time would require a minimum of 6 to 12 months, even for the most efficient to accomplish this kind of an assignment. The first 6 to 12 months would probably be a total loss to the independent fabricator. It would in all probability be 12 months hence before returns from the new venture would show up on the ledger.

May I make a part of my presentation exhibit No. 1, our production schedule for 1951. In the second column we have indicated our commercial production, which represents a total of $1,662,050 worth of orders on hand. That is our "meat and bread" until we can get into the manufacture of war materials. None should take this from us, if it could be avoided.

As you will note, it will be July of this year before we could start producing even $100,000 per month in supplies for the Armed Forces, if the orders were placed with us now. In the third column, we have indicated our war production, or a total of only $1,000,000 worth of war material that could be produced by Universal Corp. in 1951, without expanding present facilities, and that even if we had the orders on hand at this time.

At present, we are figuring a job for the Air Force that will probably involve an annual invoicing of approximately $5,000,000. If we are successful in securing this contract, it would require that we lease or build an additional 125,000 square feet of factory space. It would require that we spend in capital investment a minimum of $300,000. This is what might be called "a typical case." This is the problem that practically all independent fabricators face in reconversion.

Now is the time when the enemy could stand by and see maladjustments creep in and malcontrols set up that could do the enemy more good than an attack on our cities and our industries themselves. American ingenuity and American mental and moral resources in the historical past have always met and mastered these situations. There is a real opportunity for this generation to meet a deep challenge—as did our forefathers—prudently and wisely.

Here are the basic features of a constructive pattern of controls, as I see them:

(1) A period should be established for industry-wide completion of present commercial and civilian contracts (now on hand), permitting industry to use these orders to maintain the solidity of their organization. Please bear in mind that these orders were obtained far in advance of any existing Government control. This period obviously should be gaged by the actual demands of the rearmament program as related to the supply of critical material.

(2) Whenever the Government starts curtailing civilian uses of aluminum, independent fabricators should be kept in operation at an economic level through special rated orders for essential production.

(3) Provisions for review and fast action in distress cases should be made also.

(4) Give the independent fabricators an early opportunity to get defense orders. The newspapers report, and honestly believe, that these contracts are easily obtained. Defense orders are difficult to obtain.

Reconversion of any type places a tremendous strain on the resources of any going concern. A manufacturing plant is so different from "a shop." A manu-

facturing plant consists of many departments and multiple facilities. For a manufacturing plant to obtain an order for "the machine shop" leaves 10 or 12 other basic departments idle. For a manufacturing plant to obtain an ordnance type contract that would employ the punch press department only would leave 10 or 12 other departments idle. Then there is the finishing plant, the assembly plant, and the other basic departments. Just any type ordnance order does not balance the economy—nor does it balance production.

Today, during these international economic disturbances, it is the duty of all men in high places in Washington to see that full protection is given—and even full tariffs set up—wherever necessary to the survival and to the successful reconversion of mass industry, otherwise known as small business.

In the days of Alexander Hamilton, tariffs were thrown up to protect infant industries in America. Under this protection, American industry did grow strong. Too much assistance, too much protection cannot be given small business under the critical conditions we are now facing.

(5) Avoid subsidies or other assistance to basic suppliers and to big business in general, where such assistance may be used by the recipients to stifle the activities of small business and create competition against the independent fabricators. In making these grants, it should be definitely understood that they will be confined—even in peacetime—to the creation of a greater supply of raw materials, and not to strengthen any of the basic suppliers to enter into direct competition with the independent fabricators, whose taxes helped to finance the competition.

American monopolies can be controlled better at inception. It seems folly that our Government should spend tremendous sums to try to break up combines and monopolies after they have become entrenched—after our Government has, during certain periods of emergency, even contributed to their development.

My remarks are not made in any spirit of animosity toward big business, so necessary to our economy, but are made boldly in the interest of letting big business build itself. Then if it chooses to compete in the manufacturing field—that is American enterprise.

A review of history further shows that the subsidizing of America's big business concerns in times of emergency has not produced price competition. In almost every case, these subsidized industries have found it more convenient to operate under the price umbrella of their industry. Most of them are today cataloging and advocating the manufacture of consumer goods and are a direct competitive threat to independent fabricators.

The writer asks this division of the Senate to please do everything in its power to see that safeguards are thrown up so that none of our billions of dollars from taxes from the masses are given to any concern or individual that will later use this same power to help destroy the source from which the taxes were derived.

The Secretary of the Interior, members of the National Security Resources Board, and Director of the National Production Authority should take heed. America cannot be strong without "the muscles of its masses." America cannot be strong without "the muscles of small business." America cannot be strong without "the muscles of its 17,000 independent fabricators." The National Production Authority should proceed slowly. It should take every precaution to see that the objective in this emergency is reached as quickly as possible but certainly not at the unnecessary destruction of its own strength in production.

These remarks are made rather extemporaneously. It is my earnest desire that this entire submission before the Select Committee on Small Business has been constructive—that all who should hear or read these remarks will feel I have malice toward none—that I have great patriotism—that my entire personal and official resources will be dedicated, to the best of my ability, to the development of a program in full support of the national economy.

*Production schedule, 1951* [1]

| Date | Quota | | | | | Actual (invoicing) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Pounds aluminum | Commercial | War | Total | Cumulative | Pounds aluminum | Commercial | War | Total | Cumulative |
| Estimated orders on hand Dec. 31, 1950 | 789, 474 | $1, 535, 000 | | | | | | | | |
| January | 97, 437 | 185, 130 | | $185, 130 | $185, 130 | | | | | |
| February | 91, 347 | 173, 560 | | 173, 560 | 358, 690 | | | | | |
| March | 79, 168 | 150, 420 | | 150, 420 | 509, 110 | | | | | |
| April | 79, 168 | 150, 420 | | 150, 420 | 659, 530 | | | | | |
| May | 79, 168 | 150, 420 | | 150, 420 | 809, 950 | | | | | |
| June | 79, 168 | 150, 420 | | 150, 420 | 960, 370 | | | | | |
| July | 79, 168 | 150, 420 | $100, 000 | 250, 420 | 1, 210, 790 | | | | | |
| August | 79, 168 | 150, 420 | 100, 000 | 250, 420 | 1, 461, 210 | | | | | |
| September | 79, 168 | 150, 420 | 150, 000 | 300, 420 | 1, 761, 630 | | | | | |
| October [2] | 79, 168 | 150, 420 | 160, 000 | 310, 420 | 2, 072, 050 | | | | | |
| November | 26, 316 | 50, 000 | 240, 000 | 290, 000 | 2, 362, 050 | | | | | |
| December | 26, 316 | 50, 000 | 250, 000 | 300, 000 | 2, 662, 050 | | | | | |
| Total | 874, 760 | 1, 662, 050 | 1, 000, 000 | 2, 662, 050 | | | | | | |
| Estimated yearly sales | | 600, 000 | 2, 000, 000 | | | | | | | |
| Estimated unshipped orders, Dec. 31, 1951 | | 500, 000 | 1, 000, 000 | | | | | | | |

[1] This schedule is the proposed 1951 quota for productive invoicing and does not include field, warehouse, and other.
[2] Production of existing contracts scheduled for completion as of this date.

The CHAIRMAN. Senator Gillette?

Senator GILLETTE. Yes; I want to ask Mr. Travis a couple of questions.

Mr. Travis, your organization you call the Universal Corp.?

Mr. TRAVIS. That is right.

Senator GILLETTE. And I see by this brochure that you are also president of the Universal Building Products Co.

Mr. TRAVIS. My secretary got up that article back in 1938 or 1939, and it is out of date. That is an old piece of literature. My company at one time was the Universal Building Products Co.

Senator GILLETTE. It is still in existence?

Mr. TRAVIS. No; the name was changed.

Senator GILLETTE. It was listed as a manufacturer's agent?

Mr. TRAVIS. That is correct. We took our charter in 1939, but we did manufacturing back as late as 1928, and before the depression we were doing some manufacturing.

Senator GILLETTE. You have changed your name?

Mr. TRAVIS. It is the same company, yes, organized in 1925.

Senator GILLETTE. Is it still acting as a manufacturer's agent?

Mr. TRAVIS. No, sir; strictly a manufacturing plant.

Senator GILLETTE. You state it is one of the largest, has one of the largest, most modern plants in the Southwest with a national sales distribution in all the principal industrial centers.

Mr. TRAVIS. That is right.

Senator GILLETTE. That is true?

Mr. TRAVIS. That is true.

Senator GILLETTE. Then you do not consider yourself a small business?

Mr. TRAVIS. I owe enough money to be small, Senator. I think we are small. We only work about 300 people. We come under your category of small business. However, call us what you may.

Senator GILLETTE. It is a corporation?

Mr. TRAVIS. That is right.

Senator GILLETTE. And is the stock owned locally?

Mr. TRAVIS. Well, I wouldn't say so. We have some stockholders in California, I know, and scattered over the country, somewhat. I own 52 percent interest.

Senator GILLETTE. You are not a subsidiary of any other corporation or company?

Mr. TRAVIS. No; we have a little subsidiary ourselves, an erection department.

Senator GILLETTE. That is all, Mr. Chairman.

The CHAIRMAN. Senator Hendrickson?

Senator HENDRICKSON. What period of time do you need to convert for this war work?

Mr. TRAVIS. Well, the schedule runs like this. After I get a contract, talking about units of production, the first month, none; second month, none; third month, one; fourth month, three. It takes from 6 to 12 months to hit full production unitwise. It is a long, hard job, a difficult job. I am not asking for sympathy, but it is work, reconversion. It is just like going in business again, there is no difference.

The CHAIRMAN. Senator Hunt?

Senator HUNT. I have no questions of this witness, Mr. Chairman. I apologize to you for being late. I was in Armed Services. I see

that Mr. Bell, who is Director of the Light Metals Division of the National Production Authority, has already testified. I am wondering, please, if you would ask him to take the witness stand that I might ask a few questions.

The CHAIRMAN. Yes.

Mr. Bell, will you come around and let Senator Hunt ask you some questions?

Senator HUNT. Are you Mr. Bell?

Mr. BELL. Yes.

Senator HUNT. Now, for the third time in approximately 30 years, every 10 years, we are faced again with a critical situation with reference to the production of aluminum. It seems that we have been able the previous two times to meet the emergency simply because we had that very, very precious 2 years or 2½ years in which to do some planning, and get some enlarged facilities, and increased production. We are hoping for that same situation to prevail this time. We do not know whether it will or not.

Now, I would like to ask you why hasn't there—if you know the history of your department—why hasn't there been, following each one of these very critical periods, an expanded program for the manfacturing of aluminum devised and promoted?

Mr. BELL. Well, Senator, I have followed the history more or less, but in no instance since 1945 until November 10 of the past year have I had any direct connection with the aluminum situation, and in no sense at all would be competently informed, except in a general way.

I think the problem is more this, Senator: We did develop our capacity substantially after the last war. I think what is overlooked is the tremendous civilian demand that is involved, and the problem now is not that we don't have adequate capacity to supply our defense requirements, because I believe they are adequate to do that. The problem is to satisfy the defense requirements and the civilian demand.

Senator HUNT. I understand that, Mr. Bell. That has always been the situation heretofore, and we should have anticipated facing the same situation again.

Now, understand, Mr. Bell, I am not in any sense of the word calling you to account for anything that has happened in the past, but what are you doing now?

Mr. BELL. Well, directly, the National Production Authority does not have jurisdiction over the expansion of primary facilities. That comes under the jurisdiction of the Defense Metal Administration, I think they call it, of the Department of the Interior. We act as a claimant agency and make known the demand upon that agency. They are responsible for the development of the facilities, primary facilities.

Senator HUNT. Mr. Bell, how much bauxite do we have in this country? How long would the supply last us for the production of aluminum in event of world war III? Will it last 1 year, 2 years, or 3 years?

Mr. BELL. I prefer to answer that question, Senator, in writing. I think that is somewhat restricted information.

Senator HUNT. I don't think it is restricted. Anybody that is at all familiar with the situation knows that we have got about 3 years of bauxite available in this country.

Mr. BELL. I would have answered your question "2 to 3 years," depending on the requirements.

Senator HUNT. What is being done in the developing of new sources?

Mr. BELL. Again, sir, I have no jurisdiction in that respect. The Department of the Interior, through the Defense Metal Administration, is responsible for the development of mining facilities, bauxite supplies, and the production or development of production of primary metals.

My jurisdiction is after we have the metal; I am responsible for the fabricating facilities.

Senator HUNT. Then your position is that the line of questioning that I am putting to you is not under your jurisdiction?

Mr. BELL. That is correct, Senator.

Senator HUNT. Who should I put these questions to, Mr. Bell?

Mr. BELL. I would rather think it would be somebody at the head of the Defense Mineral Administration; I think that is the correct title. I believe Dr. Boyd is in charge of that situation.

Senator HUNT. Mr. Chairman, is Dr. Boyd going to appear before this committee?

The CHAIRMAN. He has not been included, so far. That is Dr. Boyd, head of the Bureau of Mines?

Mr. BELL. He was formerly, and I believe now he has an administrative title.

Senator HUNT. Are you familiar with what disposition was made of the plants that were started and gotten under way and got into production in World War II?

Do you remember what disposition was made of those plants?

Mr. BELL. All the pot lines from those plants that were declared surplus, as far as I know, have been put into activation or are being reactivated. I don't know just exactly what has been used. One or two of the plants themselves are being used as storage facilities, but the production equipment, I am sure, has been placed, and is being reactivated as rapidly as possible. Every available pot line, I believe, in the country, is being reactivated.

Senator HUNT. You wouldn't be familiar, then, with the present plans for developing additional sources of domestic ore?

Mr. BELL. Only in a very general way, Senator.

Senator HUNT. With the submarine menace going to be much greater, should we have a third world war, than it was in World War II, and with only a limited supply of bauxite ore available in this Nation, we are going to be in a pretty bad way if we don't get busy and develop new sources of aluminum in this country. Is that statement correct?

Mr. BELL. I would have to agree with that; yes.

Senator HUNT. Do you think, Mr. Bell, that there is a controlled production of aluminum in this country?

Mr. BELL. I don't think that at all, sir; no.

Senator HUNT. Do you think there is a healthy competition in the production of aluminum in this country?

Mr. BELL. I would rather think so; yes, from what I hear about it.

Senator HUNT. Do you know anything about the drastic opposition of the aluminum producers to the establishment and building of a new plant in Alaska; opposition recently stated?

Mr. BELL. I know about it; yes, and I think——

Senator HUNT. Why did those companies oppose the developing of aluminum production in Alaska?

Mr. BELL. I would say that basically the opposition would be predicated on the fact that that production, as a result of that expansion, would not be available to this country for some time to come, and by that time we could develop our own facilities right in this country.

Senator HUNT. That would, however, go quite a long ways toward assuring this country we wouldn't be up against this same situation again in the years in the future; wouldn't it?

Mr. BELL. I presume it would be a contributing factor; yes.

Senator HUNT. In other words, don't you think it is about time that we learned a lesson with reference to production of aluminum?

Mr. BELL. I think most of us have learned a lot of lessons; yes.

Senator HUNT. That is all the questions I have.

The CHAIRMAN. You have nothing to do with the production end of it, as I understand?

Mr. BELL. That is correct, of the primary metal, and only in an advisory capacity in making known what we regard as the essential needs.

The CHAIRMAN. Now, while you are back before us, Mr. Bell, let me ask you this question:

You told us in your direct statement that it was contemplated issuing an order some time in the near future making a list of nonessential items, I suppose, from which aluminum would be excluded.

Has such a list yet been prepared?

Mr. BELL. Only tentatively, sir. It is still under consideration. There has been no positive decision made on that list.

The CHAIRMAN. I wonder if this would be a fair question to put to you?

In the preparation of that list, is consideration given as to how the producers of the various items are—that is, as between small business and big business? In other words, is every consideration being given, is opportunity being given to small business to produce these items if they are in that field?

Mr. BELL. I would say this, Senator: That when a decision is made regarding an end-use item that would apply to large and small business in the over-all, but we are very conscious of the necessity of keeping in operable condition certain potential defense plants, and in all these orders, Senator, there is always an opportunity for application for adjustment for hardship cases, or anything that affects the defense effort, or anything of the kind.

May I say this, too Senator—one or two comments that I have heard about the imposition of this order:

Long before I came to Washington, I heard of such an order. It has been quite generally discussed, and most people in all industries have been aware of the likelihood of such a list. I merely mention that in this connection. It has been my recommendation, and the recommendation is under consideration, that such a list would not become effective; that is, prohibitive use would not become effective immediately, but there would be approximately 2 months before the effective date, and at least 2 months for people to adjust their inventories and get into compliance with the regulation.

The CHAIRMAN. There has been such a list already established, hasn't there, in other metals, in some other metals?

Mr. BELL. Yes.

The CHAIRMAN. Senator Thye, you were not here when Mr. Bell testified. Do you wish to ask questions?

Senator THYE. No; I will not take up the time.

Senator HUNT. Mr. Bell, I am not familiar with your background. Have you previously been connected with an aluminum producing company?

Mr. BELL. An aluminum producing company; no, sir. I am on leave of absence from Sterling Windows, who are users of aluminum, and an indefinite leave of absence. My only connection with aluminum was my experience in the last war, when I was in the War Production Board in varying positions, and finally as director, and then later as special assistant to the Administrator of War Assets in matters relating to aluminum.

That is my aluminum background.

Senator HUNT. Did you sense this situation of which I have spoken when you were in that capacity in World War II?

Mr. BELL. I would answer that "Yes," we did sense the need for development of aluminum facilities, beyond question, but I will frankly admit that I never expected that we would be required to enter into another phase of the special situation we now face, and I think that most people at that time would agree that we had adequate production facilities, barring any development.

Senator HUNT. But we didn't have facilities to meet the emergency.

Mr. BELL. We do not have to meet the total emergency and supply the civilian demands; no, sir.

Senator HUNT. Thank you, Mr. Chairman.

The CHAIRMAN. That "sensing" in World War II you are referring to came rather late; didn't it?

In answer to Senator Hunt's question you answered that you people did sense the need for additional aluminum production in World War II. It came rather late; didn't it?

Mr. BELL. Yes.

The CHAIRMAN. We got off to a slow start in expanding facilities.

Mr. BELL. Yes.

The CHAIRMAN. Thank you very much, Mr. Bell.

Mr. O. G. Norton, of the O. G. Norton Co., St. Albans, N. Y.

I notice your statement is rather lengthy. We will put it in the record, if you will just summarize it.

## STATEMENT OF O. G. NORTON, PRESIDENT OF THE O. G. NORTON CO., ST. ALBANS, N. Y.

Mr. NORTON. My name is O. G. Norton. I am president of the O. G. Norton Co., Inc., 1205 Francis Lewis Boulevard, St. Albans, N. Y.

My connection with the maintenance, repair, and home improvement industry is in the capacity of installing aluminum combination storm windows and doors. I have been in that business for 10 years, which incidentally is almost from the inception of the industry.

Today, however, I am completely submerging my own business connections in an attempt to indicate to this committee, and I hope

through you to others in the Government, the seriousness of regulations on the consumption of aluminum for the production of maintenance, repair and home improvement products. I am speaking as chairman of the aluminum products committee for the Northeastern Roofing, Siding and Insulating Contractors Association, Inc., which I will hereafter refer to as NERSICA. The association represents the interests of more than 100,000 roofing, siding, insulating, and combination storm door and window contractors.

Included among these contractors are an estimated 25,000 small-business organizations who are interested wholly or in part in the installation and application of maintenance, repair, and home improvement aluminum products. Subsequent to the control of aluminum by NPA, a committee representing the maintenance, repair, and home improvement aluminum products industry met with Administrator William H. Harrison, from whom we received definite assurance that every consideration "should be given to the matter of permitting the manufacture of maintenance, repair, and home improvement building materials products." Following the meeting with Mr. Harrison, representatives of the various segments of the industry such as the manufacturers of aluminum awnings, aluminum doors and windows, aluminum roofing, and aluminum siding, met with the Building Materials Division of NPA for discussions of their problems under the aluminum regulations issued to that date.

In trying to determine with them the number of business organizations who might be wholly affected because of their 100 percent activity on the installation or application of aluminum building materials products, an agreement for their record was reached, that at least 15,000 of the 25,000 small-business organizations mentioned above were exclusively in the installation or application of aluminum building materials products.

It was further agreed for their record that there would be an average of 10 employees for the 15,000 companies. Quick calculation will indicate to you gentlemen that any regulation of the use of aluminum in the manufacture of building materials products will affect the lives of 150,000 persons directly connected with contractors. It is fair to assume that the income of these 150,000 employees will average a minimum of $3,600 a year, which in terms of dollar income means a dislocation of $540,000,000. But that is not all; certainly a conservative estimate of the investment by the 15,000 owners of the business organizations would average $15,000, or $125,000,000 investment as a group.

This latter amount would be almost entirely lost should these 15,000 contractors be forced to close up shop. I believe it is fair to say, drawing from my experience, that a majority of these 15,000 contractors have not been in business long enough to get a fair return on their original investment, so they also face the horrible specter of incurred debts which they may or may not be able to pay should their businesses be wiped out, as they will be under present NPA regulations.

In these calculations I have not taken into consideration the loss incurred by the other 10,000 contractors who are not wholly in the business of installing and applying aluminum building materials products. These companies will also need to organize their operations, affecting more employees in doing so.

You have, or will listen to the representatives of the manufacturers of the several aluminum building materials products, and I wish to state for the record that I do not believe they have anywhere near painted their picture as darkly as it should be. They represent huge investments in a new industry which is just coming into its own. I sincerely believe they too have not had the opportunity to sufficiently work out their original investment problems. These manufacturers are, according to the terms established by the Department of Commerce of the United States, in the category of small-business men.

As small-business men they are pikers in comparison with the contractors who buy and sell their products. An aluminum building materials products contractor who grosses $50,000 a year is an average contractor, and when you reach a gross of $100,000 a year you are considered big business. There are many contractors such as my own company, who do $500,000 or more annual business, but they are the exceptions rather than the rule.

I was amused the other day to read about a conversation Mr. Walter Reuther of the Automobile Workers' Union had with Secretary of Commerce Sawyer in which he said: "35,000 persons will be affected by the restriction on aluminum products." This is only slightly more than 20 percent of the number of small-business men contractors affected by the elimination of the manufacture of aluminum building materials products, and remember, there will be jobs on defense work in the same factories for these 35,000 Mr. Reuther mentions, in comparison with the complete dislocation of the lives of 150,000 employees as indicated heretofore.

This committee, in its efforts to help the small-business men of the country, will I am sure in all its investigations not find another group of small-business men who will be so completely and finally affected by any Government regulation. The elimination of the manufacture of aluminum building materials products and the subsequent inability of small contractor businessmen to install or apply them is in fact elimination of an entire segment of the small-business men of these United States.

It is in behalf of these truly small-business men that I appeal to your worth-while committee for serious consideration to any relief which it is in the power of your committee to grant small-business men. As you hear testimony on the problems of truly small-business men, you will realize how much truth there is in the statements which I have presented to you.

With your permission, I now want to delve briefly into the scandal of aluminum which has brought our group of small-business men to the brink of destruction. I say publicly to you gentlemen that there is no reason in this world why it should be necessary for you to be holding hearings in behalf of the small-business men who make up the aluminum building materials products industry, nor the 150,000 persons I am speaking for to be harassed and worried by what the future holds for them. It seems there must be a scandal which may or may not be intentionally caused, every time this country gets involved in an emergency.

On our level we small-business men cannot find substantiating figures which indicate any reason at all or necessity to stop the manufacture of the very essential aluminum building materials products. We

believe you can, and sincerely trust you will check Government records and give us the answer.

The following figures are important and are taken from newspaper accounts of public statements by Government officials. There is an anticipated normal production of 1.454 billion pounds of aluminum in 1951. The Aluminum Co. of America have reactivated plants in Massena, N. Y., and Badin, N. C., which will produce an additional 158,000,000 pounds in 1951. An agreement has also been made with the Reynolds Co. to expand existing facilities at Jones Mill, Ark., which will produce an additional 77,000,000 pounds of aluminum this year. The total production in 1951, according to the Government's own figures quoted above, will be 1.689 billion pounds of aluminum.

Building of combat plants will take by far the largest part of all aluminum produced, more than 50 percent, we are told. According to the best information available to us, the present-day plane requires an average of 16,000 pounds of aluminum to complete. The maximum expected production of planes in 1951 will be 15,000, so to complete these, 240,000,000 pounds of aluminum will be required. The President, in his state of the Union message, indicated a goal of 50,000 planes annually by late in 1952. Production of 50,000 planes would require the use of 682,000,000 pounds of aluminum.

What we want you to find out for our group of small-business men is what will happen to the almost a billion and a half pounds excess production of aluminum over actual plane requirements in 1951 and the more than a billion pounds necessary for the production of 50,000 planes by late in 1952. We realize of course that stockpiling must come out of this surplus and that a great many other products are being manufactured from aluminum that are essential to the military effort. Surely, however, there is enough in this huge surplus to permit a substantial portion for domestic civilian use. Please give us the answer.

In an interview given to the Julius Klein Newsletter and published in the December issue, Mr. Jess Larson, of GSA, was quoted as saying:

> There just wasn't the foresight to stockpile this metal [aluminum] when it was a drug on the market. This can be charged to a mistake in judgment.

Further in the interview he stated:

> It is practically inherent in any partial mobilization that some people will be put out of business—and usually they are the little businesses. This is the tragedy of this situation.

Yes; we agree it is tragic to think that not as Mr. Larson says, some small businesses, but an entire segment of an industry should be trampled under a deluge of mistakes in judgment and unnecessary acts of omission and commission.

The above statements are further substantiated by the facts developing as far back as May of 1947, when the prime producers of aluminum began to urge the Munitions Board to stockpile aluminum ingot, which was selling at that time at 14 cents a pound. Aluminum was a drug on the market, and the refusal of the Munitions Board to stockpile resulted in the closing down of production units. Not until August 4, 1950, 6 months ago, did the Munitions Board make its first inquiry for stockpile aluminum. On August 21 the Aluminum Co. of Canada offered the Munitions Board 440,000,000 pounds of aluminum over a 3-year period, with 77,000,000 pounds to be delivered in 1951. Inci-

dentally, this delivery date was denied the press by Mr. Jess Larson of the General Services Administration and Mr. W. Stuart Symington, Chairman of the National Security Resources Board.

However, in answer to a complaint NERSICA registered on the refusal of the Government to accept the Canadian offer, Administrator Jess Larson verified the 1951 delivery in a letter addressed to the association under date of November 25, 1950, when he said:

> The original offer provided for the delivery of only 35,000 tons during the critical period ending December 31, 1951.

Further in the letter he said:

> I did not think it was in the interest of the United States to enter into an agreement to purchase $83,000,000 worth of metal abroad.

The price quoted on the 440,000,000 pounds of Canadian Aluminum was 16.5 cents, with an allowance for actual freight not exceeding 1 cent per pound. The current price of aluminum on the open market is approximately 19 cents per pound, and it is expected that with the various subsidies and rising costs of production, and so on, aluminum shortly may reach a price of 21.5 cents per pound to 22.5 cents, and later to more than 25 cents.

I am not going to try to figure out for you whether, as Mr. Larson indicated, the $83,000,000 worth of Canadian metal was a good investment, particularly taking into consideration that a large amount of it would have been available at this period when it is needed to permit at least a partial go-ahead and future for the aluminum building materials products industry. Please bear in mind the increased production for 1951 will not be bought for the low price offered by Canada. Incidentally, the 16.5 cents plus a maximum of 1 cent freight allowance would have continued during 1951, 1952, and 1953 until the contract was fulfilled.

Senator O'Conor, who is a member of this Small Business Committee, is also chairman of a committee investigating shipments of strategic materials to Communist countries. In a recent report from the floor of the Senate, he indicated that between August and October of 1950, 419,171 pounds of aluminum had been shipped from the port of New York alone to Communist China. I do not have any other figures, but do recall seeing past reports which included other shipments of aluminum to Communist-controlled countries. The Senator can give you further facts.

In passing, it might be pertinent to point out that in October our ally Canada permitted the shipment of 3,613,400 pounds of aluminum to Czechosolovakia and Poland, bringing the 1950 shipments from Canada to Russian satellite countries to 11,217,000 pounds. The purchase of this aluminum for stockpiling by the Munitions Board would for instance have freed a sufficient amount of aluminum to permit about 50 percent of normal operation for all the aluminum awning manufacturers in the United States.

Mr. Chairman, I submit that the contractors whom I represent, and who install or apply aluminum building materials products, have a right to be bitter when they realize that unbelievable error of judgment, and apparently plain stupidity in some instances, have now placed them in a position where their very existence as small-business men is at stake.

As a part of my presentation and for your information, I submit as exhibit A a very informative memorandum and summary of facts on the aluminum stockpile and the NPA limitation order as prepared by Irving Lipcowitz of the Reynolds Metals Co.; and as exhibit B, an offset of a news item which appeared on Friday, November 17, 1950, in the American Metal Market, which truly answers the claims by the GSA that the purchase of 400,000,000 pounds of aluminum from the Aluminum Co. of Canada would have been an uneconomic transaction.

The CHAIRMAN. The material to which you refer will be incorporated in the record at this point, without objection.

(The material is as follows:)

EXHIBIT A

THE ALUMINUM STOCKPILE AND THE NPA LIMITATION ORDER

(Memorandum from Irving Lipkowitz, Reynolds Metals Co., December 4, 1950)

SUMMARY OF FACTS

I. *Stockpiling*

A. Since May 1947 the United States producers have been urging the Munitions Board to stockpile aluminum ingot.

B. Until November 23, 1949, the Munitions Board listed aluminum as "not recommended" for stockpiling and not until August 4, 1950, did the Board make its first inquiry for stockpile aluminum.

C. The United States producers unanimously recommended to the Munitions Board on August 18, 1950—

> Expansion of United States producing capacity to meet long-range national security needs, including stockpile requirements.
>
> Imports of aluminum on a short-term basis to supplement temporarily the present inadequate capacity of this country.

The same day, August 18, Reynolds Metals Co. offered for the stockpile the entire output of a new unit, 40,000,000 pounds a year, with deliveries beginning in February 1951.

D. On August 21, the Aluminum Co. of Canada offered the Munitions Board 440,000,000 pounds of aluminum over a 3-year period, 85 percent of it to be delivered in 1952 and 1953. W. Stuart Symington decided not to accept this offer because it did not supply enough stockpile aluminum in 1951.

E. On August 23 and 25, Reynolds Metals and Kaiser Aluminum submitted proposals to the Munitions Board to expand capacity and supply aluminum for the stockpile. Producers' conferences at the Munitions Board on August 30 and September 29 and with W. Stuart Symington on October 5 resulted in specific proposals on October 16 for a billion pounds of new capacity from the three present producers and two newcomers (Apex Smelting and Harvey Machine). Negotiations began with Jess Larson, General Services Administrator.

F. After expiration of Canadian 3-year offer on October 31, Jess Larson attempted to obtain Canadian aluminum for the United States stockpile on some other basis. On November 21, he reported that the Aluminum Co. of Canada notified him that it was completely sold out for 14 months hence. Canada reported on November 25, that Aluminum Co. of Canada shipped 3,613,400 pounds of aluminum to Poland and Czechoslovakia during October, bringing total 1950 shipments, through October, to Russian satellites up to 11,217,000 pounds.

G. General Services Administration announced agreements, November 25–29, with the three producers, providing for 640,000,000 pounds of new capacity and the reactivation of 158,000,000 pounds of high-cost capacity.

(Detailed chronology of these events is attached.)

*II. NPA limitation order*

A. Aluminum producers adopted voluntary allocations in July and August 1950 to assure the military full and prompt delivery of all aluminum requirements. To date, the aluminum industry has met every military demand placed upon it.

B. NPA established inventory controls on September 18 covering aluminum and other metals and on October 2 ordered a priorities system for all military orders ("DO").

C. On October 16, NPA and aluminum industry representatives began discussions on methods of distributing military "DO" orders equitably so as not to burden any one company unnecessarily. As a result of these discussions, NPA issued order M–5, on October 27, limiting each company's obligation with respect to "DO" orders to about 25 percent of average monthly shipments during the first 8 months of 1950. On the same day, October 27, NPA Administrator Harrison announced that a 25- to 35-percent cut in civilian use of aluminum would be made effective December 1.

D. On October 30, only 3 days after the M–5 order providing procedures for military orders was issued and the day before the Canadian 3-year offer to supply stockpile aluminum was to expire, NPA circulated a tentative draft of its order proposing a cut in civilian consumption of aluminum in 1951 to 65 percent of the average usage during the year ending June 30, 1950.

E. On November 13, NPA issued its limitation order cutting 1951 usage to 65 percent of the base period average, but making the 6 months ending June 30, 1950, the base instead of the year ending on that date.

F. On December 2, NPA modified its limitation order to permit 80-percent usage in January, 75 percent in February, and 65 percent thereafter.

(Detailed chronology of these events is attached.)

CHRONOLOGY

*A. The stockpiling of aluminum*

1. *May 23, 1947.*—At a meeting of the Aluminum and Magnesium Industry Advisory Committee to the Munitions Board this plea was made:

"Immediate action by the Army and Navy Munitions Board to build up its aluminum ingot stockpile is the most effective and economical way of keeping the aluminum industry in condition to meet future military demands. These are the advantages of purchasing aluminum now:

1. "It is cheaper than ever before—14 cents a pound in pig form—which is 30 percent below the prewar price and substantially less than the 18.9 cents a pound which the Government had to pay for Canadian aluminum during the war.

2. "The more aluminum is stored up now, the less danger there will be of power, transportation, and manpower shortages during a future war.

3. "The kind of war being predicted by the military experts makes it essential to have enough aluminum on hand to offset the capacity which will be lost by a surprise attack on United States production centers and power facilities.

4. "Prompt action in buying aluminum will prevent the shutdown of additional capacity, thereby helping to keep the aluminum industry as large as it must be in the interest of military preparedness."

2. *June, 1947.*—Reynolds Metals' aluminum-producing plant at Longview, Wash., was forced to shut down because the aluminum market was glutted and the Munitions Board was not buying aluminum for the stockpile.

3. *October 6, 1947.*—Report of the subcommittee on aluminum production of the Industry Advisory Committee recommended "that the Army and Navy Munitions Board stockpile aluminum in the form of pig."

4. *September 14, 1949.*—Reynolds Metals and Kaiser Aluminum offered the Munitions Board 150,000,000 pounds of primary aluminum a year for the stockpile.

5. *May 1947 to November 23, 1949.*—Throughout this period the Munitions Board classified primary aluminum as a "Group 2" material in its list of strategic and critical materials. As defined by the Board:

"Group 2 comprises those strategic and critical materials that are not recommended for stockpile purchase but offer supply problems which will require either further study before a final determination can be made on stockpiling or other action to assure adequate supplies in a future emergency."

6. *November 23, 1949.*—The Munitions Board transferred primary aluminum from group 2, materials "not recommended for stockpile purchase" to group 1, materials "for which stockpiling is deemed necessary".

7. *June 1950.*—At the option of Reynolds Metals Co. and Kaiser Aluminum & Chemical Corp. and, pursuant to Public Law 152, 66,000,000 pounds of aluminum had been delivered for the stockpile in payment of Government plant rental and purchase obligations due for the period since August 1949.

8. *July 1950.*—The Munitions Board has not as yet indicated its willingness to accept for the stockpile aluminum tendered to General Services Administration by Reynolds and Kaiser.

9. *August 4, 1950.*—The Munitions Board made its first inquiry for primary aluminum to supply the military stockpile.

10. *August 18, 1950.*—The Aluminum and Magnesium Industry Advisory Committee unanimously recommended to the Munitions Board:

(*a*) Expansion of aluminum-producing capacity in the United States to meet long-range national security requirements.

(*b*) "in order to temporarily supplement the present inadequate aluminum capacity of our country imports of aluminum on a short term basis should be encouraged."

11. *August 18, 1950.*—Reynolds Metals Co. offered General Services Administration the output of a new unit, about 40,000,000 pounds a year, with delivery beginning in February 1951. The offer was on the basis of a 2-year contract, market prices at time of shipment without any escalator clauses, and a 5 cents a pound advance payment.

12. *August 21, 1950.*—The Aluminum Co. of Canada offered to the Munitions Board 440,000,000 pounds of aluminum for the stockpile, 15 percent in the last quarter of 1951 and 85 percent in 1952 and 1953. Price terms included an escalator clause.

13. *August 23 and 25, 1950.*—Reynolds Metals and Kaiser Aluminum submitted proposals to the Munitions Board, offering to supply aluminum to the stockpile on the basis of 5-year contracts.

14. *August 25, 1950.*—The first public intimation of the Canadian long-term offer. The New York Times reported that the Canadian offer of 440,000,000 pounds, at a cost of over $75,000,000, was expected to be accepted within 30 days, upon the passage of the Defense Production Act.

15. *August 30, 1950.*—Reynolds Metals officials conferred with the Chairman of the Munitions Board and submitted memoranda urging that negotiations be started on the August 25 offer to supply 1,500,000,000 pounds of aluminum over a 5-year period.

16. *September 15, 1950.*—William H. Harrison, National Production Authority Administrator, conferred with aluminum producers. Reynolds Metals submitted proposals urging long-term stockpile-purchase contracts with the United States producers.

17. *September 29, 1950.*—Munitions Board officials conferred with aluminum producers on capacity expansion and requested proposals from the producers, to be submitted by October 16, 1950.

18. *October 5, 1950.*—W. Stuart Symington, Chairman of the National Security Resources Board, conferred with the aluminum producers on capacity expansion requesting that proposals by the producers be submitted to his office on October 16, superseding the Munitions Board request of September 29. Mr. Symington requested a total capacity expansion of 1,000,000,000 pounds, indicating that capacity expansion was preferred in the United States as against Canada.

19. *October 9, 1950.*—Congressman Celler (New York), chairman of the House Judiciary Committee announced that the Subcommittee on Study of Monopoly would conduct an investigation of Government plans to buy Canadian aluminum for the stockpile on a 3-year basis. Public hearings were scheduled for November 1 and 2.

20. *October 12, 1950.*—The Aluminum Co. of Canada offer of August 21 expired but was extended to October 31 at the request of United States Government authorities. The delivery schedules were also extended into the future, to March 31, 1954.

21. *October 16, 1950.*—The present United States producers and two prospective newcomers (Apex Smelting and Harvey Machine) submitted capacity expansion proposals to W. Stuart Symington.

22. *October 23, 1950.*—United States producers met with W. Stuart Symington, Jesse Larson of GSA, James Boyd of the Interior Department and other Government officials. Negotiations began on the proposals submitted on October 16.

23. *October 23, 1950.*—Congressman Celler canceled public hearings scheduled for November 1 and 2 because of assurances from the Munitions Board and the National Security Resources Board that there would be "full utilization of the long-term production potential of the domestic aluminum industry subject, of course, to imports necessary to fill immediate defense requirements and proper allocation of contracts for any additional facilities among domestic producers." Congressman Celler added, "this is not to say, however, that the subcommittee's

interest in this problem has been terminated. On the contrary, the progress in reaching decisions by the Government and industry conferees during the next few weeks will be carefully followed."

24. *October 26, 1950.*—Economic cooperation pact between Canada and the United States was signed by Secretary of State Acheson and Canadian Ambassador Wrong. Both Governments pledged:

"(*a*) to coordinate their requirements, production and procurement of defense goods;

"(*b*) to set up coordinated controls, to the extent necessary, over the distribution of scarce raw materials and supplies;

"(c) to use emergency controls for achieving 'comparable effects' in each country, and to consult before applying them."

Ambassador Wrong said "effects of the agreement would be felt first in supplies of nickel and aluminum."

25. *October 31, 1950.*—The Aluminum Co. of Canada's offer of August 21, as extended on October 12, was permitted to expire by the United States Government.

26. *October 31, 1950.*—The NPA indicated that the civilian use of aluminum might be cut in 1951 to 65 percent of the average use in the year ending June 30. This action was contemplated to provide 300,000,000 pounds of aluminum for the stockpile during 1951.

27. *November 15, 1950.*—W. Stuart Symington and Jess Larson explained that the Canadian offer would not have supplied enough aluminum currently for the stockpile and required long-term commitments by the United States Government.

28. *November 19, 1950.*—The New York Times reported that the Government's stockpile goal was 1,500,000,000 pounds, to be built up during the next 5 years: 200,000,000 by June 30, 1951, another 100,000,000 by December 31, 1951, and 300,000,000 each of the subsequent 4 years.

29. *November 21, 1950.*—W. Stuart Symington reported that the Aluminum Co. of Canada told Jess Larson a few days earlier that, since the expiration of its August offer, on October 31, it had sold its entire output for the next 14 months.

30. *November 25, 1950.*—Report of October exports from Canada revealed shipments of 3,613,400 pounds to Czechoslovakia and Poland during that month by the Aluminum Co. of Canada, bringing its 1950 shipments to Russian satellite countries to 11,217,000 pounds:

| | *Pounds* |
|---|---|
| Poland | 5,318,500 |
| China | 3,008,900 |
| Czechoslovakia | 2,889,600 |

31. *November 25–29, 1950.*—GSA announced that agreements had been reached on capacity expansion:

| | *Million pounds* |
|---|---|
| Reynolds | 200 |
| Kaiser | 200 |
| Alcoa | 240 |

Arrangements were also announced for reactivation of Alcoa's high-cost units at Messena, N. Y., and Badin, N. C., which are to supply 100,000,000 pounds of aluminum for the stockpile in 1951 and 158,000,000 pounds annually thereafter.

*B. The NPA limitation order*

1. *July 19, 1950.*—Alcoa put aluminum pig and ingot on allocation because of the shortage and growing military demand.

2. *August 2, 1950.*—Reynolds Metals adopted voluntary allocations in order to give full priority to military orders.

3. *September 18, 1950.*—The National Production Authority ordered inventory control on aluminum and other metals.

4. *October 2, 1950.*—NPA established priorities system covering all defense orders.

5. *October 16, 1950.*—NPA discussed with aluminum industry representatives what ceilings were to be placed on the volume of defense orders which each company would be required to accept.

6. *October 18, 1950.*—NPA officials said that ceilings being discussed for defense orders were an "interim device because there is no present estimate of what the volume of defense orders may be *even in the immediate future*." [Italics ours.]

7. *October 27, 1950.*—NPA conferred with aluminum industry representatives concerning limitations on the civilian use of aluminum. The industry urged continued voluntary alloactions (in force since July) rather than Government control.

8. *October 27, 1950.*—NPA Administrator Harrison announced that a 25 to 35 percent cut in the civilian use of aluminum, copper, and nickel would be made effective December 1.

9. *October 27, 1950.*—NPA issued order M–5, placing ceilings on amount of defense orders limiting obligation of each aluminum company to about 25 percent of total recent shipments.

10. *October 30, 1950.*—NPA circulated tentative draft of a limitation order cutting 1951 civilian use of aluminum to 65 percent of the average consumption during the year ending June 30, 1950.

11. *November 13, 1950.*—NPA issued its limitation order curtailing the civilian use of aluminum in 1951 to 65 percent of the average amount used during the 6 months ending June 30, 1950.

12. *December 2, 1950.*—NPA modified the aluminum limitation order, increasing January usage to 80 percent of base period consumption and February to 75 percent.

## EXHIBIT B

[From American Metal Market, November 17, 1950]

### DETAILS OF CANADIAN ALUMINUM OFFER FOR STOCKPILE—ALUMINUM CO. OF CANADA SAYS PRICE WAS 16.5 CENTS A POUND

MONTREAL, November 16.—Because of the widespread discussion of the matter the Aluminum Co. of Canada, Ltd., principal subsidiary of Aluminum, Ltd., Montreal, today made known the terms of its offer of 200,000 metric tons of primary aluminum for the United States stockpile. The offer expired on October 31 without being taken up by Washington officials.

On August 21 the company offered to the United States Munitions Board this large quantity of standard aluminum ingot of 99.5 percent guaranteed minimum purity on the following terms and conditions:

Delivery: 1951 minimum, 35,000 metric tons; 1952, 65,000 metric tons; 1953, balance.

Price: 16.5 cents, United States currency, per pound, f. o. b. Canadian smelter with an allowance for actual freight not exceeding 1 cent per pound.

Terms: Net 30 days from date of invoice.

The offer was made at the United States market price of 16.5 cents per pound prevailing at the time; no provision was made for payment of the United States duty of 2 cents per pound since the Government was the prospective buyer.

In view of the extended term of the proposed contract, the offer provided for downward and upward revisions in the price in relation to changes in the seller's production costs as certified by independent auditors. A cancellation clause was included.

After it had been outstanding for several weeks an expiration date of October 12 was placed on the offer. On October 11 the United States authorities asked that the date be extended to October 31. The company agreed to the request but with deliveries extended to March 31, 1954, because owing to the lapse of time the original schedule could no longer be met. The price, however, was left unchanged although the prevailing market price in the United States had increased to 18 cents a pound for aluminum pig and 19 cents for ingot in the meantime.

Acceptance of the offer would have involved extra shipments of aluminum to the United States over and above the company's present large exports to that country, estimated at 150,000 metric tons for this year. It also would have called for the purchase of important blocks of electric power by the company, the reactivation of idle production facilities built during the last war and the development of additional facilities.

### ALUMINUM FABRICATORS MEET WITH NPA

WASHINGTON, November 16.—Representatives of the aluminum fabricating industry, meeting with NPA today, maintained their original position that the task of allocating nondefense supplies could be best handled by industry without Government regulation. They expressed their willingness, however, to cooperate with NPA in carrying out provisions of the recent order cutting back the use of aluminum by consumers 35 percent. It was agreed at today's meeting that experience under the regulation may indicate need for some interpretations or changes relating to such products as aluminum foil and castings, imported products, base period of the order, inventories and adjustment and compliance provisions.

Mr. NORTON. In closing this appeal to you for help and guidance, and in conjunction with my previous statement in regard to the 150,000 persons affected by the elimination of the manufacture of aluminum building materials products, I wish to point out that most of these products are sold from door to door by salesmen who work from 15 to 18 hours a day—developing their leads in daytime and then talking to the home owners at night when the family is together. This type of effort, although fairly remunerative, is not attractive to young persons who desire to use their evenings for social and sports diversions. As a result of the type of selling, a great majority of salesmen are older men and women, or those with physical defects.

The same is true from the standpoint of mechanics who install and apply the aluminum building materials products. Because of the fact that the work is hazardous and seasonal and therefore does not attract young men to the profession, again a majority of the mechanics employed by these 15,000 contractors are older men. It occurs to me that the injustice to these 150,000 persons affected is manyfold greater, because of the type of people who are engaged in selling and installing or applying.

I was struck by a news item on January 17 of this year which indicated that NPA had denied reports from Detroit that the Government planned to clamp a lid on the output of automobiles and trucks, or that they had asked the manufacturers to scrap plans for 1952 models. Please note that NPA does not propose to the automobile industry that they go out of the business of manufacturing automobiles, with its subsequent disarrangement all the way down the line to the dealer, but rather, a subsequent agreement set forth that their output be restricted to a given percentage of a designated previous production period.

Please note the difference in the attitude of this same agency toward the manufacturers of aluminum building materials products and the small-business man contractors who install and apply these products, when they say; "As of such a date you shall close your doors and look elsewhere for ways and means of livelihood and the ability to pay obligations incurred as investments."

Finally, I wish to quote from recent statements by the top control executive, Defense Mobilization Director Charles E. Wilson. On Wednesday, January 17, in a speech delivered before an audience in Philadelphia, he said, very wisely, I believe:

> Production just for production is unsafe and unnecessary.

If I may paraphrase this remark, I would like to leave as a thought for you, "Industry destruction just for destruction is unsafe and unnecessary."

Then, on January 18, Mr. Wilson testified before this Small Businessman's Committee and as a highlight of his testimony said:

> We shall make every effort to keep small business alive during the emergency.

We small contractor businessmen will be happy to have our case presented to Mr. Wilson by your committee solely on the above statements by him.

Now, I want to shorten this, but I want to say the biggest squawk we have, and I have had it for the last 2 weeks, is that these people, large numbers of them, are loaded with inventory.

Now, just to show you what that amounts to, I would like to cite one example, one experience, for you: In the automobile business they were told to cut down their production. They didn't tell them to cut it out. They let them have some little trickle to let them eliminate some of their inventory. Here they come along and tell us we are all through, and we want at least, if we can—we are small-business people, very small-business people, and we want to at least maintain.

I know some men who cannot even pay the obligations they owe to the bank if this stop order goes through, and another indication I would like to make in closing is of my own company. I want to tell you one experience that will illustrate to you what I mean:

There is one more very important point to the Government—and this is my own company—that I do not think has been probably developed; by way of illustration, my own company paid $40,000 in taxes in the year of 1947. On December 31, 1948, we had $171,000 in inventory in window products, that we were going to discontinue. In liquidating ourselves out of this line, notwithstanding the fact we did a $1,000,000 business for the year, we sustained a loss of some $33,000 and due to the carry-back clauses or provisions in the tax laws, we were reimbursed out of the 1947 taxes to the Government to the sum of $12,000.

If this stop order that is now contemplated had been in effect, our loss in liquidating that inventory would have been over $100,000, because we couldn't have got the fill-in sizes that you need to go ahead with that liquidation.

If the order goes into effect, this type of loss among the small-business people that I know I represent—I have talked with them—I have been intimate with them for 12 years—that situation can be multiplied many thousands of times.

I appeal to you, in closing, to use your good offices, if you can, to at least see that we get at least a trickle of aluminum so that we can liquidate ourselves out of the position we find ourselves in in this critical condition.

I thank you.

The CHAIRMAN. Thank you, Mr. Norton.

Are there any questions?

Senator THYE. There is one question that occurs to me, Mr. Norton. Have you fabricated some of the window sash that are incomplete, so that you have an absolute loss there unless you can fabricate more to complete your units?

Mr. NORTON. No; we don't fabricate anything. We are dealers and distributors, and applicators. We manufacture nothing. We buy from the manufacturer, but, to illustrate to you, I have to buy in carload lots, $22,000 at a time. Now, I can manage to indicate, or forecast, some of the sizes. For example, I carry in stock 90 different sizes——

Senator THYE. Sizes of window sash?

Mr. NORTON. Yes; but in order to complete the individual job for the home owners, they have special sizes, and you have to continually draw on the manufacturer for specifications.

Now, if this stop order comes in, we can't even sell complete jobs. We will have to keep what we have got.

Senator THYE. That is what I am getting at. You have some equipment that is fabricated, lying there, that will be a dead inventory, unless you are able to complete the units so that if an order comes in for a certain size, you will be able to fill the order?

Mr. NORTON. That is right.

Senator THYE. If you can't, there is going to be a lot of sash lying there that will not be ordered, which can't be substituted by any other material such as wood, to complete the order.

Have you endeavored that?

Mr. NORTON. That is right, and on top of that a lot of sash that is in the stockroom waiting to be delivered; money has been borrowed from the bank to pay for it.

Senator THYE. Aluminum is doing no one any good until such time as you can get the short stock that you supply?

Mr. NORTON. That is right.

The CHAIRMAN. Thank you, Mr. Norton.

Mr. Charles E. Hunter, of the Storm Sash Institute, Bristol, Pa.

We are glad to have you, Mr. Hunter. Will you proceed in your own way, sir?

Mr. HUNTER. I imagine, Mr. Chairman, you are running overtime here. I will be as brief as possible.

The CHAIRMAN. Your full statement will be put in the record, if you will summarize it, please:

## STATEMENT OF CHARLES E. HUNTER, STORM SASH INSTITUTE, BRISTOL, PA.

Mr. HUNTER. Gentlemen of the committee, I appear before you as the chairman of the Metal Combination Storm Sash Institute which represents over 40 small manufacturers. My name is Charles E. Hunter. I am president of the Hunter Manufacturing Corp. of Bristol, Pa., which designs, fabricates, and distributes metal combination storm windows and doors.

I digress for a moment, sir. I have a two-paragraph treatise on the product, which following your questioning, I believe would be in order. Fundamentally, a metal combination storm window is a metal frame into which two glass panels and one or two screen panels may be interlocked and interchanged. Its function is to conserve fuel by keeping heat in the house and to keep drafts and dust out. In the warm months it also serves as a permanent screen frame.

The nature and background of the industry are considerably interesting, at least to us engaged therein. The present type of metal combination window originated about 12 years ago. Since that time the industry has grown with amazing rapidity and is still expanding. Basically, it is an industry of small manufacturing plants which feed completed metal storm sash and doors or knocked-down parts to distributors and dealers. A large number of manufacturers make only prefabricated parts which their distributors or dealers assemble to order. The dealers sell their product through salesmen who feel directly with the home owner by the door-to-door method. In most cases the windows are financed by FHA-insured loans under regulation W. Specially trained mechanics employed by the dealer then follow up the sales and do the installation work.

As to the size of the metal combination window industry, the following authoritative information on the size of the industry was obtained by asking all manufacturers to submit their confidential data to the firm of Arthur Anderson & Co., certified public accountants, who then compiled the figures. These figures have never been released, and are believed to be accurate within 10 percent, or 10 percent up.

Gross retail dollar volume in 1950, $99,000,000; number of persons employed at factory level, 3,332; number of persons employed at dealer and distributor level, 29,205; number of units, or windows, produced in 1950, 4,100,378; number of combination doors produced in 1950, approximately 110,000, and the total of independent businesses is 4,856.

Those 4,856 are the same people, or a portion thereof, that Mr. Norton so ably testified for, as are the people directly employed by them. They are whole or part time.

The amount of aluminum consumed by industry as a whole, according to the figures of the Department of Commerce and the Aluminum Association, for 1950, was 1.4 billion pounds. The total amount of aluminum fabricated by the industry in 1950 was 45,724,285 pounds. Thus the amount used by the metal combination window industry was about 3 percent of the total production of the United States.

It should be pointed out here that small industries like ours are mainly responsible—and we take pride in this—for the existence of the gigantic United States primary aluminum industry. Ordinary people, of great perspicacity, have gotten into the home consumer product and created, maintained, and sustained the volume of primary production which we enjoy today in the country, and I say directly, and off the prepared statement, that almost every member of this entire fabrication industry would be very happy to give every pound of this to defense if the necessity for it is clearly proven.

By our efforts and extensive advertising we have educated the American consumer to the advantages of aluminum products. The tremendous demand that we have created has made it possible for the Big Three primary products to expand and maintain the present level of output.

The combination storm window is not a luxury but a necessity and by using it the home owner is enabled to save from 30 to 38 percent of the fuel used to heat his house. In the time of war this fuel saving would become an urgent matter to the Nation. This is a vital item in the economy, and in addition fuel has always been one of the things about which we become heavily concerned in time of war. Our members are awfully short, and I have data here pertaining to 1941. In fact, during the last war the Government appealed to all citizens to save as much fuel as possible by installing storm windows. From the point of view of health they are also a necessary item since they eliminate the cold drafts and unequal room temperatures which cause colds. In the warm months their screens keep out annoying and disease-bearing insects.

Why aluminum? Aluminum is used because it is light in weight, easily fabricated, and relatively inexpensive. Furthermore, it does not rot, rust, or warp, nor does it stain the siding of a home. No maintenance or painting is necessary, and repairs are rarely needed.

Unlike the clumsy and now obsolete wooden storm sash, the modern aluminum combination window does not have to be taken down every spring and fall. It remains on the house the year round and within the space of 2 or 3 minutes can be changed from winter to summer use, and vice versa, from inside the house. It is therefore the most practical solution for the problem of ventilation, insulation, and screening.

It is absolutely impossible to substitute wood for aluminum in this product for the following reasons:

One. Our manufacturers use machinery which is single-purpose tooling, suitable only for aluminum. To convert to wood would require junking the present equipment and investing in new and expensive woodworking machinery, presently not available.

It has been estimated that the wood industry itself would have to expand from 500 to 700 percent in order to take care of our business.

The wooden storm sash is the product of an entirely different industry. To make a wood product our manufacturers would have to learn new production techniques, train their personnel in the use of new machinery and material, and find new sources of supply.

Thousands of dollars have been spent by our industry in advertising the present aluminum product. The public is now thoroughly sold on the advantages of aluminum and its acceptance of our combination windows is based on our use of this metal. Not only would the vast investment in advertising be lost but the public would have to be "unsold" in regard to a superior product and persuaded to favor an inferior one. It is extremely unlikely that this could be done.

It must be emphasized again that ours is an industry of small enterprises. Our manufacturers cannot go into what would actually be another business, they simply do not have the capital. Lack of aluminum will ruin the combination window industry.

A further cut-back of aluminum will not merely disrupt the industry but will actually destroy it. There is no substitute material that can be used, nor is it equipped to make any other product. The result of a continued severe cut-back will be that factories will have to be shut down and numerous skilled employees will lose their jobs.

Nor can there be any such thing as a temporary shut-down of these plants. Not only will their skilled workers be dispersed, but they will also lose their dealers and distributors on whom they are peculiarly dependent for the sale of their products.

Moreover, the expansion of this industry has to a large extent been financed by borrowed capital. Failure to continue production because of a lack of aluminum will in most cases mean bankruptcy for these small manufacturers who will be unable to repay their loans.

I will not dwell on the considerable loss of taxable revenue to the Government which will result from the death of this industry, since this is obvious.

The foregoing presents a fair summary of a new, vital and growing unit of our economy. We believe that a realistic approach justifies an allocation of metal of not less than 65 percent of the 1950 consumption of our industry as noted under paragraph No. 3.

Attached to my statement are figures which may prove of interest to the committee.

The CHAIRMAN. As among the various products that you make, is there variance as to essentialities?

Mr. HUNTER. Among the aluminum products on this order, sir. It is a thing which we dwell with constantly. At this point we become very selfish people. The maintenance and home repair has to do with the building project, and the aluminum combination window serves a definite purpose, and it is one of the few things you can put on your house that is a self-liquidating investment. Essentiality is what? If we were in the midst of a fuel shortage, it becomes a very vital thing that our industry operate. It is one of the great contributions you can make toward the saving of fuel. It is on that basis we have built the industry to the $99,000,000 I have mentioned.

Now, all of the ingenuity of the people involves the same ingenuity that has developed the business. Certainly, thought has been given to the matter of substitution. Of all of the comments, sir, that have been given this morning, I haven't heard many people say what they would have to have done about this situation in which we find ourselves. I think that a very careful reappraisal of military demand, which I certainly am unable to do, but you august gentlemen certainly can, the reappraisal of military demand is one of the things that causes the excellent people, and I certainly do not deprecate their effort. Mr. Bell and his associates have done a wonderful job. I don't propose to vilify or deprecate any effort of anybody in connection with this thing, but I do think that more sober judgment can be given to the supply situation, rather than talk about the elimination of these things, until the absolute stern necessity is shown you conclusively that it exists. I think that is the keynote of this whole thing, sir.

Senator O'CONOR. Because of your fine grasp of this whole situation, I was very anxious to ask you if you could elaborate slightly on that. I was wondering if you didn't think a reassessment of the whole situation was needed to determine just when the needs will be felt the most, and particularly having in mind the critical situation which confronts small business, whether in your curtailment program the curve going down in one direction, and then the lag in the pick-up by business, there isn't a period in there where small business will find it impossible to ride out. It seems to me there is the greatest need for a reassessment of the whole situation in order to find out when that need will be met, and how.

Mr. HUNTER. I would like to express myself on that. It is my considered opinion, as well-advised as I can be with all the information facilities at my command, that if you will interrogate the primary aluminum producers, they will issue a ray of hope so far as the material for civilian consumption is concerned.

I said the earnest effort they are making—they are doing a wonderful job, in my opinion. Somebody said, I have to quote from memory a government thing, now—Jess Larson, the program with which he was engaged didn't meet my complete approval as a man interested in aluminum industry. It occurs to-me a great deal of metal got away from this country that could have been maintained.

To answer your question more fully, sir, I believe that if a careful reappraisal, done with some immediacy, is put together at once, sober judgment given it, because there is a terrifying thing, then we can

extend ourselves—and this is what I would request of you, or anybody before whom I could appear—that we be permitted at some reduced level to go through at least the next quarter.

I have to tell you that the order Mr. Bell mentions is one of the greatest documents that has ever been written. This thing has been shoved around—they have worked night and day on it. They have had committees—I have been with them—representing 200 different products, and everybody goes home with a big head and is desperate. If they would do something with what that document—I likened it last night in a conversation among interested people to the fact that you are in an old type of hotel and the man drops one shoe up above you, and you sit and wait for the other shoe to drop. It just doesn't happen. We want to get some clear and conclusive presentation of the elimination items, and then be permitted an appeal on the basis of industry, coupled with knowledge that the primary producers will give us what is expected, and I assure you in my considered opinion we will live through the second quarter, and, who knows, anything can happen from that time on. That and reappraisal of the military situation, I believe, is the answer.

The CHAIRMAN. Senator Hunt?

Senator HUNT. I have no questions, except to suggest what you have in mind might make us again too little and too late.

Mr. HUNTER. It isn't something that will take too long, Senator, to reexamine.

Senator HUNT. We are late now; we are very, very late.

Mr. HUNTER. You have information perhaps that is not provided me. I obviously have to reserve the right to my opinion that there is an ample amount, sir. I can't enter the discussion with you; you have information, apparently, which I do not.

The CHAIRMAN. Senator Thye?

Senator THYE. The question that I would like to ask of Mr. Hunter is much the same as the question asked before:

Have you dead stock or inventory that will remain dead inventory unless you receive some additional aluminum so that you can fill the orders that you now have?

Mr. HUNTER. If the death sentence is issued on many productions, perhaps on mine, we would then have an unbalanced inventory. Certainly it would be good business——

Senator THYE. What percent of the aluminum supply that you normally received are you now receiving?

Mr. HUNTER. We are cut back quite severely, sir.

Senator THYE. How much?

Mr. HUNTER. About 50 percent, sir.

Senator THYE. Can you in any sense use that 50 percent to make up a live supply in your inventory?

Mr. HUNTER. Yes.

Senator THYE. Then your inventory will not remain dead; it will not remain an inventory on your hands indefinitely?

Mr. HUNTER. No, sir; it will perhaps have to be supplemented with some small percentage of allocation, perhaps 10 or 15 percent of a 60-day supply.

Senator THYE. You are at 50 percent now, so that if that much goes in and is fabricated then you can fit in the short supply and keep moving your inventory.

Mr. HUNTER. Fifty percent is for some people a break-even level. If you are going completely out of business, you have to augment whatever existing supply of this you have almost in every instance with a nominal amount.

Senator THYE. Isn't the 50 percent adequate?

Mr. HUNTER. No, sir; you are supposed to run with that, sir. You are supposed to keep alive with that.

Senator THYE. Like Senator Hunt. We feel that we don't want to be short, and I don't want to be insistent and say that Congress tied our hands and we are not able to meet the war needs. The question I ask is if you get the 50 percent, can you then supplement what you have on hand and move that inventory and get it off your hands?

Mr. HUNTER. Fifty percent for inventory adjustment would be very large, to answer your question; yes.

The CHAIRMAN. That is on the assumption that the second shoe is going to drop?

Mr. HUNTER. That is right, sir.

I wish it would remain in the air.

Senator THYE. I know business in my State was caught drastically last fall, so I am entirely in sympathy with you. We must find the answer.

The CHAIRMAN. Thank you very much, Mr. Hunter.

Mr. Orchard, of Orchard Bros., Inc., Rutherford, N. J.

Your statement in full will be placed in the record; if you will summarize it very briefly, we will appreciate it.

(The material furnished with Mr. Hunter's statement is as follows:)

NEW YORK, *January 19, 1951.*

CHARLES HUNTER,
*Metal Combination Storm Sash Institute, Lexington Hotel:*

Professor Larson, Wisconsin University, estimates saving 38$\frac{5}{10}$ percent identical houses compared using storm sash as against no storm sash. Identical Sears houses in Elgin, Ill., one shows with storm sash 33$\frac{1}{3}$ percent. Saving United States Department of Commerce letter 227 and University of Illinois Bulletin 2239 said that storm sash saves up to 30 percent in fuel costs.

SEARS ROEBUCK,
P. J. MCCARTHY, *Chicago.*

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PHILADELPHIA, PA., *January 24, 1950.*

Mr. CHARLES E. HUNTER,
*Chairman, Metal Combination Storm Sash Institute, Bristol, Pa.*

DEAR MR. HUNTER: Pursuant to your instructions, we have tabulated the statistical reports received directly by us from various manufacturers of aluminum combination windows and doors who were circularized by you with the request that they furnish to us, on a confidential basis, statistics for the year 1950 with respect to aluminum consumption, personnel employed, sales, etc.

We are enclosing a tabulation of the replies received to date and a list showing names only of the companies who contributed to these statistics.

Very truly yours,

ARTHUR ANDERSEN & CO.

*Tabulation of statistical reports received from manufacturers of aluminum combination windows and doors for the year 1950*

| | Year 1950 | | | | |
|---|---|---|---|---|---|
| | Total | First quarter | Second quarter | Third quarter | Fourth quarter |
| Total pounds of aluminum consumed in 1950 by types, 39 companies reporting: | | | | | |
| Extruded shapes | 29, 827, 555 | 5, 059, 890 | 6, 524, 393 | 8, 080, 339 | 10, 162, 933 |
| Sheet or strip | 10, 616, 822 | 2, 178, 206 | 2, 659, 363 | 2, 722, 565 | 3, 056, 688 |
| Miscellaneous (nuts, bolts, castings, rivets, etc.) | 961, 226 | 177, 600 | 213, 595 | 252, 329 | 317, 702 |
| Total pounds | 41, 405, 603 | 7, 415, 696 | 9, 397, 351 | 11, 055, 233 | 13, 537, 323 |

| | |
|---|---|
| Total pounds of aluminum consumed in 1950 (some companies did not report by types or by quarters) 45 companies reporting | 45, 724, 285 |
| Personnel employed (average number of employees during 1950): | |
| At manufacturing level, 45 companies reporting | 3, 332 |
| At distributing and dealer level, 35 companies reporting | 29, 205 |
| Total number of distributors and dealers serviced during 1950 on metal combination storm windows, 43 companies reporting | 4, 856 |
| Estimated total number of completed combination windows produced by company and distributors during 1950: | |
| 40 companies reporting (also reported dollar sales—see below) | 3, 713, 945 |
| 4 companies reporting (did not report dollar sales) | 386, 433 |
| Total | 4, 100, 378 |
| Total dollar sales volume in 1950, manufacturing level, 40 companies reporting (1 company reported gross retail sales) | $43, 799, 882. 80 |
| Producing aluminum doors, 44 companies reporting: | |
| Yes | 23 |
| No | 21 |
| Weighted average—percent aluminum used for: | |
| Windows | 86. 6 |
| Doors | 13. 4 |

NOTE.—See following list for names only of companies who contributed to these statistics

MANUFACTURERS OF ALUMINUM COMBINATION WINDOWS AND DOORS SUBMITTING STATISTICAL REPORTS FOR THE YEAR 1950

The Ace Industries Co., Youngstown, Ohio.
Alsco, Inc., Akron, Ohio.
Alumatic, Milwaukee 4, Wis.
Aluminum Air Seal, Girard, Ohio.
Aluminum Fabricating Co. of Pittsburgh, Pittsburgh, Pa.
Airlite Industries, Inc., Newark, N. J.
American Sash Co., Inc., Macungie, Pa.
B & G Manufacturing Co., Pittsburgh, Pa.
A. W. Barnhart Co., Port Chester, N. Y.
Buffalo Weaving & Belting Co., Alliance, Ohio.
Compo-Miracle Products Co., Berkley, Mich.
W. R. Carter, Inc., Welsley, Mass.
Chamberlin Co. of America, Detroit, Mich.
The Crocker Corp., Cambridge, Mass.
Feather-Lite Mfg. Co., Detroit, Mich.
Hess Manufacturing Co., Quincy, Pa.
Hunter Manufacturing Corp., Bristol, Pa.
Hayes Woolverine & Winterseal Corp., Detroit, Mich.
Home Window Co., Fostoria, Ohio.
Ingersoll Division, Borg Warner, Chicago, Ill.
Jamaica Sash & Door Co., New Hyde Park, Long Island, N. Y.
Kaufmann Corp., Detroit, Mich.
Keystone Alloys Co., Latrobe, Pa. (also Derry, Pa.)
Kaiser Metal Products, Bristol, Pa.
Kane Manufacturing Co., Kane, Pa.
Lisco Products, Valley Stream, Long Island, N. Y.
Lu-Mesh, Philadelphia, Pa.
Orman O. McKinley Co., Indianapolis, Ind.
Paramount Aluminum Products Corp., Jamaica, N. Y.
F. C. Russell Co., Cleveland, Ohio.
Security Sash & Screen Co., Detroit, Mich.
Storm Windows of Aluminum, Ravenna, Ohio.
Self-Storing Window Co., Inc., Minneapolis, Minn.
Storm Wizard Mfg. Co., Philadelphia, Pa.
V-Seal Corp., Royal Oak, Mich.
Vulcan Metal Products, Birmingham, Ala.
Warner Manufacturing Corp., Jersey City, N. J.

MANUFACTURERS OF ALUMINUM COMBINATION WINDOWS AND DOORS SUBMITTING STATISTICAL REPORTS FOR THE YEAR 1950—Continued

Warren Aluminum Products Co., Warren, Ohio.
Weather-Proof Co., Cleveland, Ohio.
Weatherwise Windows, Inc., Alliance, Ohio.
Winsulite Manufacturing Co., Baltimore, Md.
Weather Products Corp., Syracuse, N. Y.
Wilson Manufacturing Co., Chicago, Ill.
Winter-Seal Corp., Detroit, Mich.
Wisco, Inc., Detroit, Mich.

## STATEMENT OF JOHN E. ORCHARD, PRESIDENT OF THE NATIONAL METAL AWNING ASSOCIATION AND PRESIDENT OF ORCHARD BROS., INC., RUTHERFORD, N. J.

Mr. ORCHARD. My name, as you know, is John E. Orchard. I speak to you today as the president of the National Metal Awning Association and also as president of Orchard Bros., Inc., in Rutherford, N. J.

Addressing initially a remark to Senator Hunt, none of us wish to be too little or too late. But we would like to get some facts. That is all we are interested in. If we could get some sound, intelligent facts, that the aluminum division of the NPA could show us that they need this material, then we will silently fold our tents and steal away.

The facts to the contrary show differently; they show it would be impossible for them to use material in the second quarter that is available for them, and if you would turn, please, to page 2 of the actual report, you will see that in October, this past October, with 22 production days, there was a total production of 209,000,000 pounds of aluminum produced.

In November, with only 19 production days, there was a total of 194,000,000 pounds produced, and if you translate that into an equivalent of 22 production days, you would have 226,000,000 pounds.

Now, that is the difference—that is different than some of the figures that have been previously published in the paper, but these figures are Department of Commerce figures. They come from the industries, series 24–1, and series 24–E.

If we project the October and November production into next year, then we have a chart attached here as exhibit 3 which actually indicates the amount of aluminum that is available for the military.

I have it here, if I may show it to you.

Assuming that we may continue during the first quarter to have 65 percent of aluminum for civilian products, we already know, because we have been told by General Harrison, that the defense orders are going to assume this much, or 28 percent. They want to stockpile 25,000 tons. Well, they are going to have an unused balance of approximately 50,000,000 pounds in the first quarter.

Now, in the second quarter they will have available for the military, some 320,000,000 pounds, even under the existing M–7 order.

Now, 320,000,000 pounds would require the military to more than double their use of aluminum in three short months.

Now, if they can do it, and they need it, fine; let's give it to them. Frankly, sir, I don't believe they can. I don't believe there is any necessity for any restriction order to issue at this time involving the second quarter, because the same situation in my company as with

others, my association has to balance out inventories. We are all in hock to the bank. We will go bankrupt. We can't get defense business at the present time, because there isn't any. That is the reason.

The CHAIRMAN. Well, your thought is in line with some of the others that have been suggested here; that there should be a reexamination of the whole thing before a so-called death sentence is issued; is that right?

Mr. ORCHARD. That is right, sir.

The CHAIRMAN. And that is the gist of your statement?

Mr. ORCHARD. Yes.

The CHAIRMAN. Senator Hunt?

Senator HUNT. Are you giving any consideration to the fact that the interest borrowed in the last 5 years has accomplished practically nothing in respect to stockpiling, and now we must stockpile in a big way and do it quickly and do it very extensively?

Mr. ORCHARD. Isn't that part of the reappraisal, Senator?

Senator Hunt, shouldn't we reappraise the actual essential needs of stockpiling? That chart shows the buildup of aluminum production as promised in each of the next quarters. Now, maybe the military won't even be able to use the buildup.

In other words, the reappraisal must take in the necessity of a stockpile; does it not?

Senator HUNT. That is just the point. I asked you if you had taken that into consideration.

The CHAIRMAN. He brings out the point that the National Security Resources Board has actually programed a stockpiling of 25,000 tons during the first quarter. In other words, he is dealing with what they have actually done.

Now, I assume that a reexamination might very well be to reexamine that to see if they have stockpiled enough. That is the point you make.

Senator THYE. I wonder if Mr. Bell would care to comment on the so-called unallocated portion that you show on the chart there or would care to make a comment on your statement that there is a certain amount of aluminum that is nonallocated.

The CHAIRMAN. Where is Mr. Bell?

Would you comment on that?

Mr. BELL. I am not too positive that the military requirements, as such, are directly represented on that. I am not able to divulge it at this time—the total figure. But, beyond the so-called essential and nonessential requirement, we do have some very vital essential civilian needs which are defense-supporting items, such as power, transportation, and facilities of that kind; and we must take into consideration, when we talk about defense requirements, we have not included the supporting items in our defense requirements.

In other words, there must be a gap. We must prepare a certain amount of aluminum for various essential requirements that would be part of the quantity which this gentleman is referring to.

The CHAIRMAN. Well, take the small manufacturer of cable here this morning. Would that be what you would call a defense-supporting activity; and, if so, why has he been cut off in his supply of aluminum?

Mr. BELL. I am not too sure that he has been cut off, as such.

The CHAIRMAN. No; he said he had 12 percent.

Mr. BELL. I think a great deal of the situation is due to the fact, not that they can't get aluminum at certain times, but they can't get it at a certain schedule. We have a minimum of 60 days, and most of the situations brought to my attention have been that they can't get into a certain schedule to get delivery at a certain time.

If I may, Senator, I might say that I have had several people come to my office who have said to me that it wasn't what I was doing, using the words in a general way, but they contend if I would let them use it they could get all the aluminum in the world.

On the contrary, we have a number of people come in who say they can't get aluminum. It is a very confusing situation.

I think the correct answer to the situation is in the degree of availability of metal that this gentleman refers to there are some very vital, essential requirements to support the defense effort that he has not included in his figures.

Mr. ORCHARD. Those essential requirements, as I understand it, carried DO ratings.

Mr. BELL. They do not. Transportation, power, and other items of that character do not carry DO ratings, to my knowledge.

Mr. ORCHARD. But those facts are available; they could be tabulated for purposes of actual reappraisal of just what the situation is.

Mr. BELL. Oh, very definitely; yes.

Mr. ORCHARD. Thank you.

The CHAIRMAN. Thank you. Your statement and the accompanying material will be incorporated in the record.

Next is Mr. George Mitchell, Metal Trim, Youngstown, Ohio.

(The testimony and material of Mr. Orchard is as follows:)

STATEMENT OF JOHN E. ORCHARD, PRESIDENT, NATIONAL METAL AWNING ASSOCIATION, AND PRESIDENT, ORCHARD BROS., INC., RUTHERFORD, N. J.

I am John E. Orchard. I report to you today primarily as the president of the National Metal Awning Association, and secondarily as president of Orchard Bros., Inc., in Rutherford, N. J.

This committee and its staff assistants are to be congratulated on making possible an open hearing on the effect of aluminum restriction orders on small business. It not only gives the public an opportunity to see what is going on, but it gives small business, who are fighting for their lives, a slim chance for survival.

Because we want to survive, because we feel it would be a detrimental blow to American enterprise if we didn't survive, and because our development in the past 5 years truly manifests the competitive American spirit, we are fighters; we refuse to be backed into a corner and let somebody "pull a sheet" over us without a struggle. The more sensible and intelligent the struggle, the more efficacious our fight will be.

Our weapons in this fight are facts, and facts are what you want, too; these facts are available; they require a little digging and a lot of hard work to assemble. But, remember, we're fighting for survival, and so we've taken the time to ascertain these facts.

What do these facts show?

First, the facts show that there is no need for any further aluminum restriction order, and, as a matter of fact, even those NPA orders now in existence could be relaxed for the second quarter of 1951.

Second, the facts show that any small post-World War II business is going to have a difficult if not impossible time to participate in the current military expansion program, either as a prime or as a subcontractor.

Third, the facts show that any further arbitrary action by the NPA will result in bankruptcy for many, many tiny businessmen in the home improvement maintenance, and repair industry.

Before I substantiate these conclusions, perhaps you'd like to know more about us. We are an association of tiny companies. May I reemphasize the word "tiny." It's generally acceptable that any business with less than 500 employees is a "small business." There are 150 of us, and our average number of employees is 24.

We in this association manufacture the component parts from which an aluminum awning is subsequently assembled. If you will, we are secondary processors and fabricators of aluminum. While there are but 150 of us in this classification, there are an additional 3,900 firms dependent upon us at the distributing or dealer level. Altogether approximately 30,000 people are in one way or another dependent upon our activities.

Yes; we are tiny. So tiny, as a matter of fact, that we need only 500 tons of aluminum each month in order to survive. Five hundred tons—that's less than one-half of 1 percent of the total current production.

We could use more because we are part of a fast-growing industry. We are part of an industry comprised mainly of businesses less than 2 years old. And yet this whole industry has meant a lot to the primary aluminum procedure in terms of volume. Our development has helped them maintain an increased capacity production so as to be ready for this emergency.

The attached report was prepared in anticipation of the issuance by the NPA of an order specifically forbidding the manufacture in the second quarter of certain aluminum products, among them awings. This order was scheduled to be issued last Saturday, January 20.

This order has not as yet issued. Since there is no need for such end-use aluminum restrictions in the second quarter, the NPA is to be congratulated in withholding the order. We like to feel that some of the preliminary presentations we have made to the NPA and to your committee has helped this agency to procure the true facts, thus enabling them to justify the continued civilian use of aluminum in the second quarter.

There are two things to hope for:

(1) That, after the hard work done by you gentlemen in presenting the true facts for public review, the NPA will not turn around and issue the order anyway, if only for psychological effect; and

(2) That, should they contemplate issuing such an order for the third quarter, the NPA will call us in as a true-fact-finding advisory board and thus be able accurately to review once again the over-all aluminum picture.

(The material accompanying the prepared testimony is as follows:)

REPORT PREPARED BY NATIONAL METAL AWNING ASSOCIATION

FACT NO. 1.—THE AVAILABILITY OF ALUMINUM

The National Production Authority on November 14, 1950, issued its order No. M–7, which provides that, regardless of how much aluminum any firm has in its warehouse, it cannot "use in manufacture or construction" a quantity by weight in excess of 65 percent of its average quarterly use of aluminum during the base period between January 1 and June 30, 1950.

So the first fact to determine is how much aluminum was used in this base period.

The Department of Commerce has conveniently published these figures in its Facts for Industry monthly bulletin. The issues for March 1950 through August 1950 give the monthly average during the base period as follows:

| Facts for Industry series | Classification | Average monthly pounds of aluminum |
|---|---|---|
| M24–I 10 through 60 | Plate, sheet, and strip | 86,782,000 |
| Do | Roll shapes, rod, and bar | 19,165,000 |
| Do | Extruded shapes | 18,592,000 |
| Do | Powder and flake | 1,377,000 |
| M24E 10 through 60 | Castings | 33,425,000 |
| Total | | 159,341,000 |

In the first week of December 1950 the NPA "relaxed" the 65 percent to permit manufacturers to use in January a quantity by weight of aluminum equal to 80 percent of that used in the base period, and for February 75 percent. This meant that during the first quarter of 1951 the following amounts of aluminum could be used for civilian products:

| Classification | January, 80 percent | February, 75 percent | March, 65 percent |
|---|---|---|---|
| | *Pounds* | *Pounds* | *Pounds* |
| Plate, sheet and strip | 69, 426, 000 | 65, 086, 000 | 56, 408, 000 |
| Roll shapes, rod and bar | 15, 332, 000 | 14, 373, 000 | 12, 457, 000 |
| Extruded shapes | 14, 873, 000 | 13, 944, 000 | 12, 085, 000 |
| Powder and flake | 1, 101, 000 | 1, 033, 000 | 895, 000 |
| Castings | 22, 740, 000 | 25, 069, 000 | 21, 726, 000 |
| Total | 127, 471, 000 | 119, 505, 000 | 103, 571, 000 |

In other words, during the first quarter of 1951, the civilian use of aluminum will total 350,547,000 pounds.

But the big question is how much aluminum is available? You can't use production during the base period because that was one full year ago, we had bad weather and three time-taking strikes. Far better to take more current figures of October and November aluminum production as follows:

| Classification | October (22 production days) | November (only 19 production days) |
|---|---|---|
| | *Pounds* | *Pounds* |
| Plate, sheet and strip | 106, 803, 000 | 99, 687, 000 |
| Roll shapes, rod and bar | 27, 568, 000 | 24, 377, 000 |
| Extruded shapes | 26, 077, 000 | 23, 878, 000 |
| Powder and flake | 1, 269, 000 | 2, 430, 000 |
| Castings | 47, 278, 000 | [1] 44, 100, 000 |
| Total | 208, 995, 000 | 194, 472, 000 |

[1] Estimated.

NOTE.—If November had had 22 production days the equivalent poundage would be 226,000,000 pounds.

We can, therefore, obviously assume a current production of around 210,000,000 pounds per month. Exhibit 2 is an interesting graph showing the history of aluminum production since 1942.

Now the question becomes, Where is all this production going?

During the first quarter of 1951, the military has placed [1] DO's (defense orders) on the three primary aluminum producers as follows: Alcoa, 28 percent of its production; Reynolds, 27 percent of its production; Kaiser, 29 percent of its production (for an average of 28 percent).

Now, 28 percent of the current aluminum is 28 percent of 210,000,000 pounds or 58,800,000 pounds or requires during the first quarter of 1951, a total of three times 58,800,000 pounds or 176,400,000 pounds.

In addition the NSRB (National Security Resources Board) has planned a stockpile program (1) which calls for 25,000 tons in the first quarter and a like amount in the second quarter of 1951. This is 50,000,000 pounds per quarter.

So we can recap the use of aluminum during the first quarter of 1951.

| | | *Pounds* |
|---|---|---|
| Amount available—3 times 210,000,000 pounds or | | 630, 000, 000 |
| Subtract: | | |
| Civilian use | 350, 547, 000 | |
| Military defense orders | 176, 400, 000 | |
| Stockpiling | 50, 000, 000 | |
| | | 576, 947, 000 |
| Plus balance | | 53, 053, 000 |

[1] This information was given in confidence by Gen. William Harrison at a meeting with the Home Improvement Aluminum Group in his office on December 8, 1950.

In other words, the entire requirement for stockpiling during the first 6 months of 1951 can be met during the first quarter alone.

So, where does that leave us for the second quarter? Let's assume that the 65-percent limitation on use as imposed by M–7 remains as a restriction. Since we do not have any more worry about further stockpiling, we can easily figure what's left over for the military: viz:

| | *Pounds* |
|---|---|
| Available production (3 times 210,000,000 pounds) | 630, 000, 000 |
| Civilian use, at 65 percent (3 times 103,571,000) | 310, 713, 000 |
| Left over | 319, 287, 000 |

In other words, under current restrictions, the military still has more than 50 percent of the aluminum production available for its use.

Could they use it? Possibly yes, but certainly not in the second quarter. Reason: During the first quarter, the military is using 176,400,000 pounds, and if they used all the available second-quarter production they would have to absorb an additional 142,887,000 pounds.

This amounts to an 80 percent step-up $\left(\frac{142,887,000}{176,400,000}=80 \text{ percent}\right)$ in the military program in 3 short months.

For administrative, tooling, and manpower reasons, this is impossible.

### CONCLUSION

There is no need for any further restrictions on aluminum. As a matter of fact, the real needs of the military should be analyzed to see just how fast they can use the available production and any restraining orders issued accordingly. Why should any order be issued just for effect if it has no statistical efficacy?

Yet the NPA has announced that it will issue an order restraining the manufacture of certain nonessential aluminum products.

Why? They have all the aluminum they need for the second quarter.

After the second quarter, the supply picture gets better. (See bar chart exhibit 3.)

1. Kaiser has already completed an expansion program in its big Mead reduction plant in Spokane which will result in an additional annual poundage of 40,000,000.

2. Kaiser will have ready in September 1951 in its new Gulf coast region additional annual capacity of 200,000,000 pounds.

3. Alcoa has activated its old plants in Messina, N. Y., and in Badin, N. C., which will begin producing in late June of 1951 an additional annual poundage of 158,000,000.

4. Reynolds will expand its Jones Mill, Ark., facilities to produce more 1951 poundage of 77,000,000.

5. Reynolds has promised the General Services Administration an additional poundage for 1952 of 123,000,000, a total of 600,000,000 pounds.

This is 50,000,000 more pounds per month, or almost 25 percent additional capacity, one-half of which will be flowing in the last 6 months of 1951.

### FACT NO. 2. AVAILABILITY OF DEFENSE ORDERS

Mr. Wilson, in testifying before this committee (January 18, 1951), said that it was necessary for small businesses to be aggressive in a campaign to participate in the military program, indicating that if they helped themselves they could stay in business.

This is sound theory, but in actual practice it doesn't work. The home-improvement group has demonstrated its aggressiveness by creating a new industry in five years. While I do not have the facts on all companies, let me give you the facts demonstrating the aggressiveness of one organization—my own company.

1. Since August 1950, we have had two full-time men working saleswise and engineeringwise in an attempt to get prime contracts (defense orders). We have bid on more than 50 items for a total amount in excess of $2,500,000. What happened?

(*a*) We were low on our bid in excess of $700,000 and then the requirements for that bid were canceled. On other items, the successful bidder in more than 90 percent of the cases took the job at less than the material cost. Small businesses, to survive, should give their money to the Government in the form of taxes, not charity.

(*b*) In other cases, after spending the money to make the bid, we were told that the advertisement had been canceled and the procurement was to be negotiated (exhibit 4).

2. So, you may ask why can't we get in on any of these negotiations. The plain fact is that the tiny companies of this home-improvement industry are all new. They have no record of performance for the Government and, naturally, the buyers are going to negotiate just with concerns in which they have confidence.

3. Why not subcontracts? The answer to this is that there just aren't any subcontracts to be had. The large businesses have not yet absorbed their own capacity. And aggressiveness doesn't help here. We prepared and filed a presentation (exhibit 5) with more than 74 companies in the New York area. In the past 5 months we have received four opportunities for bid. We have spent 167 man-days in this subcontract effort alone. We got one little small experimental job for $246.20.

(*a*) It's a little frustrating. I quote verbatim (although eliminating names) from a progress report made last week by the man I placed in charge of this subcontracting.

"Blank Co. spoke to Mr. ———, who really told me off. I didn't get much of a chance to give him a decent pitch. Briefly, this is the situation as far as he is concerned: Blank Co. is far from capacity at the present time and won't be for the next 60–90 days; and, when they are, will make contact with outfits that they had done business with in the last war and outfits that are best fitted to handle their type of work. He assures me that he's had his fill of outfits such as ——— and other metal-awning and window companies and feels that, if he wants his shoes repaired, he would not go to a barber shop to get it done."

Facetiously, I wonder if it might not have been better for us to have built a couple of barber shops with the more than $8,000 we have so far aggressively yet unsuccessfully spent to get defense orders.

Seriously, I recited these facts to prove to you that our tiny postwar companies are somewhat at a loss to know their next move. Threatened daily with being cut off from a supply of aluminum—yet knowing the aluminum is there—and not able to get defense orders to stay alive, many of us are faced with dire financial consequences.

### FACT NO. 3. WHAT ARE THESE FINANCIAL FACTS?

1. Five years ago the metal-awning industry started with a product that people never thought of in terms of home improvement and that people felt was a real luxury. At the end of that 5-year period we were selling just as many metal awnings as canvas awnings were being sold; but, what is more important, we had helped lift the canvas-awning industry up by their bootstraps, and their sales had increased almost 50 percent. Reason: We made the home-owning public conscious of the benefits of awnings and through our sales-promotion effects had created a desire for awnings that never existed before.

2. In order to do this, however, practically every one of our companies had staked all of their investment not mainly in material and equipment but in sales promotion. Only a handful of us have even come close to getting our "nut" back.

3. Under the terms of the original aluminum-restricting order (M–7) we as an industry were and would be able to put into process some 3,150 tons during November, December, and the first quarter of 1951 (exhibit 1). However, awnings are seasonal in their nature of selling, and during this 5-month period we would not have sold over 25 percent of this amount. This leaves 2,373 tons of processed aluminum on hand at the end of March. We estimate that this would cost these companies $3,780,000, which divided among the 100 companies solely dependent upon awnings as their livelihood represented an inventory investment of $37,800. Please note that, since the average capital investment of these companies is $40,000, this meant an additional investment created by the sanction of the NPA almost equal to the total capital. Naturally, it would be impossible to do this without heavy borrowings, and all of us have already made arrangements with the banks for this purpose.

4. It is impossible for any one of us (basically, we have not been in business long enough to have the knowledge) to balance out this inventory so that it could be sold 100 percent in the second quarter in the form of finished goods. Consequently, most of it is in semiprocessed or lineal form, needing only to be cut up and assembled and supplemented where needed by proper colors, sizes, and shapes of frames during the selling season; or, in other words, the second quarter in order to be liquidated.

5. Accordingly, if we are unable to obtain aluminum during the second quarter of 1951, and unable to assemble and sell our already processed inventory, we will collectively owe the banks almost $4,000,000, and there just is no way to get that much money out of these tiny companies without inventory liquidation. Hence many of us will have to go to the wall.

Thank you, gentlemen, and in conclusion may I say that plans and programs and theories are wonderful in principle but unless they are based on facts they will not work in practice. Small or, I repeat, tiny businesses cannot be run by a feeling in the seat of the pants; they must be run with facts, not theories. We have given you facts today that prove—

1. There is enough aluminum;
2. There are no defense orders for us; and
3. That, unless this home-improvement industry can get some of the available aluminum, many, if not most, of the companies are going to have to go into bankruptcy.

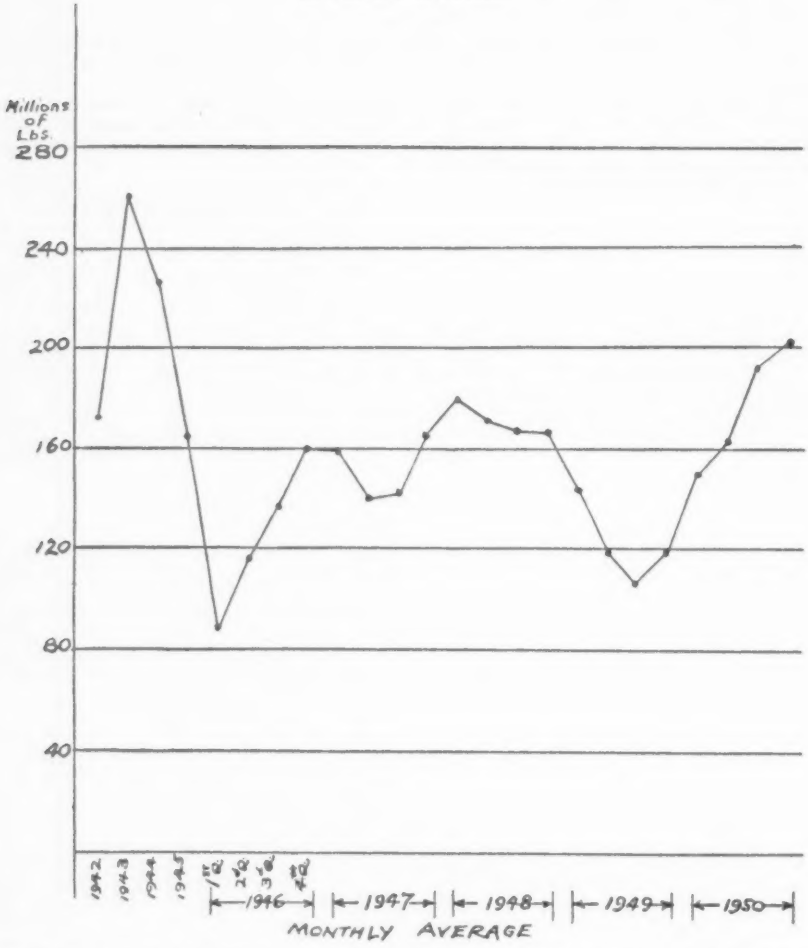
All we ask is that the administrative agencies and the military who are conducting our current defense effort do it sensibly and intelligently, based on facts. We want to help; we want to cooperate with them and get the facts but; we want them to use them after we get them.

Respectfully submitted.

J. E. ORCHARD, *President.*

EXHIBIT 2. PRIMARY AND SECONDARY ALUMINUM PRODUCTION

In millions of pounds




Source for figures: U. S. Department of Commerce, Facts for Industry, series 1-2-2; M24 B 125; M24-1; and M24 E.

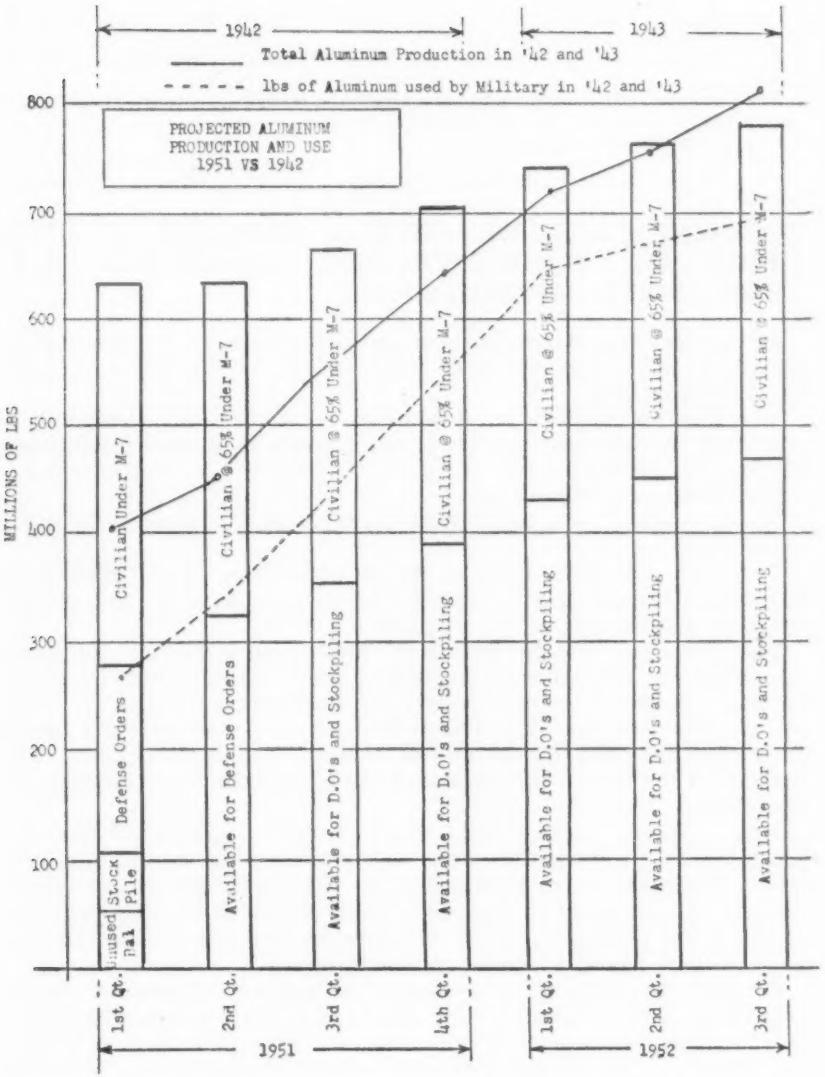

1942
1943
Total Aluminum Production in '42 and '43
lbs of Aluminum used by Military in '42 and '43
PROJECTED ALUMINUM PRODUCTION AND USE 1951 VS 1942
MILLIONS OF LBS
800
700
600
500
400
300
200
100
Unused Tail
Stock Pile
Defense Orders
Civilian Under M-7
Available for Defense Orders
Civilian @ 65% Under M-7
Available for D.O's and Stockpiling
Civilian @ 65% Under M-7
Available for D.O's and Stockpiling
Civilian @ 65% Under M-7
Available for D.O's and Stockpiling
Civilian @ 65% Under M-7
Available for D.O's and Stockpiling
Civilian @ 65% Under M-7
1st Qt.
2nd Qt.
3rd Qt.
4th Qt.
1st Qt.
2nd Qt.
3rd Qt.
1951
1952

EXHIBIT 4

HEADQUARTERS,
AIR MATÉRIEL COMMAND,
*Wright Field, Dayton, Ohio, January 16, 1951.*

ORCHARD BROTHERS, INC.,
*Rutherford, N. J.*

GENTLEMEN: This will acknowledge receipt of your bid in response to our invitation for bid 33-038-51-978.

All bids have been canceled according to ASPR 2-403. Requirements wil be negotiated.

Your interest in submitting a bid is appreciated by this directorate; however, we are unable to award you a contract in this instance.

Yours very truly,

CHARLES W. ATTERHOLT,
*Captain, United States Air Force, Contracting Officer.*

## STATEMENT OF GEORGE MITCHELL, PRESIDENT OF METAL TRIMS, INC., YOUNGSTOWN, OHIO, ACCOMPANIED BY M. CARL CUSHNER, GENERAL COUNSEL

Mr. MITCHELL. Mr. Chairman and members of the committee, my name is George Mitchell, president of Metal Trims, Inc., of Youngstown, Ohio.

The CHAIRMAN. We do not want to cut you unduly short but, as you know, we are running behind; so if you will proceed quickly and briefly, we will appreciate it.

Mr. MITCHELL. Thank you.

We are extruders of aluminum shapes, and we fabricate a line of metal molding.

I am also chairman of the executive committee of the Aluminum Extruders Council, and I understand the brief made by this counsel has been handed in to the committee.

The proposed "death sentence" limitation order on aluminum would put out of business hundreds of small and medium-sized businesses whose owners cannot convert to war work immediately. This is a fact because may small manufacturers are currently set up for limited-purpose production and/or there is too little defense work contracted for to use the vast amounts of aluminum to be withheld from civilian use.

Most of these small manufacturers would be glad to convert 100 percent to war work if there were any chance of their obtaining such work. There is very little chance now. But in the absence of present need for their capacity to produce, they cannot hold their organizations together indefinitely until such time as conversion can be effected. Most of them would go broke while waiting.

The vast majority of these organizations are one-man or family ownerships. In most cases they are the sole source of income of the owners; and their equity represents the whole of a lifetime's work and savings. The "death sentence" orders wipe everything out for them in one swoop.

Such an effect is not only arbitrary and unjust; it is completely pointless, uneconomic, and disrupts the very productive process needed to defend our country. It wipes out much potential defense production capacity. It destroys big chunks of taxable income needed to finance the defense effort.

We cannot believe that this is the intent of the Government, although that is, in fact, the effect of the "death sentence" orders.

ORCHARD BROTHERS INCORPORAT
WHITEFORD, N. J.
July 31, 19
Inventory $ 77,0[illegible]0
Total current assets 182,374
% inventory 42½%
Total all assets 266,999
% current 69%
Total current liabilities 103,731
Total Bank Debt 84,444
Total all liabilities 154,272
NET WORTH 112,727

SOUND
FINANCIAL
STRUCTURE

In Five Years from one of the tiniest Awning Companies to the LARGEST National Awning Company in the World.

| YEAR | NO. OF EMPLOYEES | NO. OF SELLING DEALERS | NO. OF ADVERTISING PAGES | ESTIMATED RETAIL SALES |
|---|---|---|---|---|
| 1946 | 7 | 11 | 1 | 980. M |
| 1947 | 41 | 31 | 2 | 1,240. M |
| 1948 | 46 | 36 | 17 | 1,440. M |
| 1949 | 59 | 44 | 40 | 2,600. M |
| 1950 | 76 | 93 | 78 | 5,430. M |

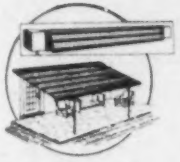
ROLL-UP Kitchenette Door

EXHIBIT 5

BROTHERS INCORPORATED
RUTHERFORD, N. J.

| | July 31, 1948 | July 31, 1950 |
|---|---|---|
| | $ 77,040 | $ 89,913 |
| ecate | 182,374 | 201,301 |
| | 42½% | 44% |
| | 266,999 | 289,128 |
| | 69% | 71% |
| ilabilities | 103,731 | 93,126 |
| | 84,444 | 20,000 |
| ities | 154,272 | 122,491 |
| | 112,727 | 168,936 |

IT ROLLS
ALUMA ROLL



# ORCHARD BROTHERS INC.

Rutherford, N. J.

## EQUIPMENT

I - Continuous Aluminum Roll Forming Plant complete with Alodizing Equipment, Roller and Spray Painting machines, two contingous Baking Ovens and Forming Mills.

(note: Alodizing is the modern Navy and Army accepted method for the corrosion treatment of aluminum)

II - Adequate ASSEMBLY SPACE (15,000 square feet) for Light Manufacturing, Electrical Equipment and Metal Fabricated End Products.

III - A basic SHEET METAL SHOP including PUNCH PRESSES at an already subsidized sub contractor.

IV - A basic MACHINE SHOP including automatic screw machines at an already subsidized sub contractor.

THIS PERMITS US TO DO

CORROSION TREATING
ALUMINUM PAINTING
ALUMINUM PAINTING
WELDING and BRAZING
FORMING and SHAPING
TUBULAR BENDING
STAMPING and PRESSING
SCREW MACHINING
ROLL FORMING
TOOL and DIE WORK

FOR

Electrical Component PART ASSEMBLIES
Tubular work of ALL KINDS
Light Structural Construction
Mechanical Products and Assemblies
Aluminum or Light Metal Fabricated End Products

FOR

A DESIRABLE CONTRACTOR

ORCHARD BROS. INC.,
RUTHERFORD, N. J.

=

EFFICIENT PRODUCTION PERSONNEL

+

AVAILABLE EQUIPMENT

+

CAPABLE ADMINISTRATION

+

PROGRESSIVE GROWTH

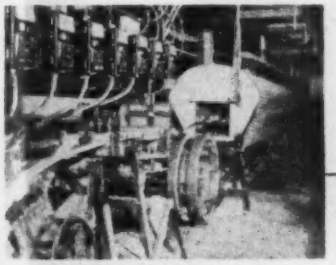
+

...RE

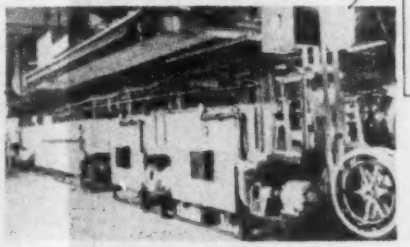
...one of the ...panies to ...nal Awning ...rk.

| ...ERS | ...ED ALUMA ROLLS | ESTIMATED TOTAL SALES |
|---|---|---|
| 1 | | 980. M |
| 2 | | 1,240. M |
| 17 | | 1,440. M |
| 40 | | 2,600. M |
| 78 | | 6,130. M |

...chenette Door



ROLL PAINTING



ALODIZER

### ...TICERS

President - John S. Orchard, graduate of M.I.T. and Harvard Law School, advanced design engineering firm for Henry J. Kaiser and became Manager of Richmond Shipyard No. Four.

Vice-President - Robert Orchard, Southern Methodist '41, helped organize and was Naval instructor in newly formed Navy Aircraft Electricity Schools.

Secretary-Treasurer - Robert J. Keating, Michigan Tech. '41, and past chief contracting officer for Rocky Mountain arsenal.

### STAFF

Proven executive, clerical, engineering, purchasing and expediting personnel including a national network of regional sales representatives and distributors.

### EXAMPLES

1 - This group designed and perfected the first corrosion proof PRODUCTION PAINTING PROCESS for ALUMINUM, subsequently endorsed and copied by ALCOA, REYNOLDS, KAISER, and many others.

2 - In 1945, we designed a special collapsible, tubular beach marker to aid in Marine Corps landings, the design was tendered on June 16th, accepted on June 25th, and deliveries started on July 27th.

3 - In 1950, shortly before the Korean War this group took over (on a Management Contract) the Winslow Engineering Company of Newark, New Jersey; this company was more than one year behind schedules, yet in 6 weeks of our active participation, rescheduling was accomplished and production performances actually made. In addition, an emergency order of Control Panels for the Air Force was tackled and delivery was actually made on the required and the promised date.

An Interesting Observation -

This Newark Company was falling behind on its military contracts because it lacked money, administration guidance and production performance. We were and are able to provide all three for any company in a similar situation.

WoodoorWall is like a drape for your doorways. It's made of attractive fabrics . . . folds accordion-like unto itself to give you more room. It's the most decorative interior door in modern design!

that's
woodoorwall

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We propose instead that these orders be so modified that those small companies which cannot immediately convert, be permitted to continue operating at such a fraction of their capacity as will enable them to keep their basic organization intact until such time as war material orders or subcontracts are available to them.

Thus, many of the small manufacturers could survive, at the cost of a trifling fraction of the increasing aluminum supply; and the defense effort would ultimately have available a good volume of competent management, productive plant equipment, and trained manpower.

The independent extruders, who are members of the Aluminum Extruders Council, are a special case in point. Our group represents some 30 percent of the Nation's extrusion capacity. During the last war there was so acute a shortage of extrusion capacity that DPC had to build and finance scores of extrusion presses, many of which were scrapped after the war, or were uneconomic set-ups. Hence it would be a fantastic waste of war potential to permit these independent extruders to fold up. We would only have to be rebuilt, or reactivated, at great cost, as to the destroyed facilities.

The reason why these independent extruders cannot now get war work is that the volume of military extrusions has not yet grown large enough to exhaust capacity of the integrated producers and their large extruder associates. These groups control all of the large presses, such as are needed for airplane spares, as well as the special heat-treating facilities which are needed to produce the high-strength specifications required for such special applications.

But they also absorb a large volume of small dimension and light-alloy shapes which the independent extruders could handle efficiently and economically. The reason why the independent small extruder seldom gets the chance to quote on this type of work is that the large extruder who handles the heavy work takes this along.

However, the basic control order suggests that Defense consider the interest of small business in allocating defense work.

Hence, our suggestion that the small-business divisions set up in the Defense Establishment direct contractors to place their small sections and light-alloy business with the independent extruders who are competent to handle them. These independent extruders are dispersed so widely that very real economies can thus be effected.

These two proposals (1) to permit operation at a survival level and (2) to distribute available defense work, would enable the small extruder and his dependent small fabricating customers to stay alive until completely converted; and take the curse off the "death sentence" orders.

The small-business man, when looking for relief, turns to the nine committees or divisions as enumerated on page 7 on the bulletin entitled "Selling to Your Government," published by this committee. The final sentence in this publication says, "Finally, if, as a small-business man, you encounter any difficulties or situations which seem to impair your opportunities or sharing in the Federal procurement program, get in touch with the Senate Select Committee on Small Business."

It seems that every time a new department is created or every time a hue and cry is made for the small-business man, the Government hurries and sets up an office of small business, a committee on small

business, or a small business liaison division to listen to the pleas and cries of small business.

These divisions or committees or branches have never done anything for small business, as we have been able to find out, but merely are a salve to the public to show that the small-business man is near and dear to the hearts of the bureaucrats. They pay lip service to small business and publish in all periodicals releases to the public showing their great concern and admiration for small business.

An example of the ineffective operations of a small-business committee concerns the one now operating under NPA. During a recent hearing on whether the aluminum storm-window industry should close up by April 1, a representative of the Small Business Committee was present. When asked for comments or recommendations or suggestions, his only answer was, "I am here solely as an observer." That seems to be the sole purpose of these useless divisions and bodies within the Government.

Let me quote from President Truman's recent economic message to Congress:

> In placing orders the Defense Department and the other agencies concerned are adjusting contracting and subcontracting policies to broaden the supply base and to bring in more small producers. The Department of Defense is giving major emphasis to obtaining productive capacity broad enough to support a much larger military procurement program than the one now under way. Thus the Department is spreading orders among as many contractors as practicable and tooling up plants with reserve capacity so that military procurement can be further enlarged on short notice if necessary.

This quotation is commendable in view of our present defense efforts; but in ignoring the small producer and setting up the large integrated corporations as the sole producers, the military will some day wake up to the fact that they have used up their entire production capacity within these plants. And they will not have the thousands of small producers with reserve capacity to increase their procurement program as needed. The small producer will have died an unnatural death by this time and the prime producers will then be given the go-ahead sign to build additional plants with more and more capacity in building larger corporate giants and keeping the small-business man within his small level.

Quoting further from President Truman's speech, he says:

> In addition we have begun the work of obtaining increased plant capacity in key industries, among them steel and aluminum.

The pattern within the aluminum industry is identical with what occurred during the last war and what the prime producers, together with certain unenlightened bureaucrats, are attempting to do under this situation.

Our aluminum extruders counsel went to NPA and was told that there was no need for the 40 extrusion presses which we represented, and that there was sufficient capacity within the larger manufacturers to take care of all necessary Government defense work, and that we should convert. Convert to what?

At the beginning of World War II there was sufficient extrusion capacity to take care of the military requirements also. But as the war progressed, the military found that it was necessary to build many high-cost inefficient extrusion plants for the war effort. These were run mainly by the prime producers and the ones that were most

efficient and faster producing were later bought up by these corporations and integrated within their corporations. The inefficient producers, such as the plant at Baltimore, are still standing by idle.

After World War II the large prime extruders in aluminum were operating at around 50 to 60 percent capacity due to the emergence of the small extruder who could out-produce, out-sell, and outmaneuver the large corporations.

The price producers are now operating their extrusion plants at 100 percent capacity and they would like to see the small producers go bankrupt so that if additional extrusion capacity were needed, the Government would build new and efficient plants for them to operate, which they would naturally buy once the emergency is over.

In the booklet published by this committee on the future of light metals and Government plant disposals, this committee was concerned that Kaiser and Reynolds had not been integrated far enough to have them compete with Alcoa. It is this integration which hurts the small-business man in that he has to buy his prime metal from the same companies with whom he is competing; and in cases like the present, the prime producer just naturally cuts off his supply of raw material or reduces it far below the average set by Government statisticians and absorbs the balance of the material in his own plants and increases his production from the normal 60 to 60 to 100 percent, plus overtime operations.

That is what is occurring at the present time. These prime producers might scream that they are filling up with defense orders but they are still seeking and delivering civilian products to those customers whom they were unable to secure 6 months and a year ago, because the small independent fabricator could produce and deliver in a shorter time and at a cheaper price.

An example of this point is that all prime producers cut their billet customers in the last half of 1950 from 20 to 40 percent of their normal usage while their extrusion customers or new customers whom they created during this time were given 100 percent of their requirements. One example in point was the case of a window manufacturer from Miami who came to NPA for relief because Alcoa had shipped him so much extrusions in the last half of 1950 that he was unable to produce in 1951 in that he had no record for base-period operations to allow him to produce any of this material. This case is on record with NPA and can be reviewed by this committee any time they wish to look into it.

Case after case can be shown how the large prime producer has attempted to squeeze out the small fabricator who competed with him in the finished product; but had to look to him for his billets, sheet, plate, coil, or rod. Although it is the Government's purpose to keep civilian business going at as high a level as possible, it is the intent of the large corporations to funnel or channel this civilian business into their own hands so that ftuure statistics will show that the civilian consumption was high but the mortality rate of alimunum fabricator companies was even higher.

Another item that is bothering these small aluminum fabricators is "from whence do all these orders come?" When we approached NPA and asked who was responsible for issuing orders, they pointed to the ceiling and said, "Upstairs." The point I wish to make is that the small aluminum extruders were promised representation on an

advisory committee by General Harrison and Mr. Nigel Bell, and Mr. Kelly of the Small Business Division of NPA was ordered to create such a body. This body was to confer with the Light Metals Division before any new orders were issued effecting the industry. This is again an example of lip service by small-business divisions and heads of departments. This advisory committee was never formed and, although its forming is in process, the process can last from now till the end of the emergency. The Light Metals Division does not want a group such as ours, who have been a thorn in their side, to get official recognition in this manner.

NPA consults with the big three prime producers when they are interested in putting out new orders, and I am sure that the three prime producers are in no manner concerned with the dozens of small extruders who have been a thorn in their side.

The recent order M–22 was an example of how this department operates. The aluminum scrap and conversion order was published effective January 12 and was the death sentence of the small aluminum producers, in that it prohibited him from buying scrap on the market for conversion to billets to keep his plant operating above the survival level.

The CHAIRMAN. Let me ask you this question: So far as the extruders are concerned, there is no question there as to essentiality? You do do essential work, don't you?

Mr. MITCHELL. We hope the work we do is essential, but we have been told by NPA that our presses are not needed for war work.

The CHAIRMAN. My next question was going to be: You would probably have to rely on defense contracts?

Mr. MITCHELL. Yes; you cannot convert an extrusion press. It is there to do that one job, and it will sit there until you find work for it. You can't change it with a few rolls and make a stamping press out of it.

My counsel tells me the Munitions Board has decided that those 40 presses are absolutely essential, and they are going to attempt to keep them in operation.

The CHAIRMAN. As a matter of fact, during the last war, we had a shortage of extrusion capacity; did we not?

Mr. MITCHELL. You definitely had a shortage.

The CHAIRMAN. Do you think we have an oversupply now?

Mr. MITCHELL. No.

The CHAIRMAN. In other words, you think that in order to meet the defense effort we shall need all of our extrusion capacity?

Mr. MITCHELL. You will need more.

The CHAIRMAN. Then it becomes a question of spreading the work so that the small business——

Mr. MITCHELL. So that they won't die in the time between now and that time.

The CHAIRMAN. Of course, that is one of the principal problems with which we are confronted, and which we are working on all the time; to make certain that defense orders, as well as Government business generally, is so spread that small business will get its fair share of it.

Mr. MITCHELL. You see, this death-sentence order that is about to come out has been haunting us for a month now; and, if it puts the two items we are primarily interested in on that death list—storm

combination windows and doors, and aluminum moldings, and trims, which we fabricate as an end product—we will close down tomorrow, and until we convert to war work we can go broke waiting for the time when they need our presses.

But we can survive. We have two presses with a possible operation of six shifts per day. We are operating at 2,000, and we could operate with our basic organization held together at a break-even point if they would let us operate with one shift.

The CHAIRMAN. Any questions?

Senator THYE. The question I would like to ask is this:

Has any one approached either you or any of your associates in the same business to make inquiry of how you could fit into the war-industries activity? Have they made any inquiry by questionnaire?

Mr. MITCHELL. Well, we went to Cleveland Ordnance Office and said we would like to be surveyed for war work.

Senator THYE. That is, there will be a survey?

Mr. MITCHELL. One man came down and said, "So you have an extrusion press. So what?"

He says, "Make out these forms." We looked over the forms, and they were quadruplicate copies with about 60 sheets to be filled out, and we thought it was just silly to make out the forms, and we never did.

Senator THYE. Did you go through the forms to find out whether there were intelligent questions asked of you that would be pertinent to someone trying to appraise your plant?

Mr. MITCHELL. No; I don't think so. We looked them over.

Senator THYE. You have a little responsibility there.

Mr. MITCHELL. Yes; we do.

Senator THYE. You can't expect the committee to do it all.

We will do everything we can, but you may have to furnish that if a questionnaire comes to you.

Mr. MITCHELL. Yes; I realize that.

Senator THYE. After all, someone sitting here in Washington is trying to allocate materials.

Mr. MITCHELL. But they are not interested in extrusion presses. They are interested in end products. Can you build a carriage for a 105-millimeter gun? Can you build a tank unit? Can you build aluminum pontoons?

Senator THYE. Could you answer that question if you found it in the questionnaire?

Mr. MITCHELL. The answer is "No."

Senator THYE. That is what we would have to have, you see.

Mr. MITCHELL. But we are important to the prime contractors who are building those things.

Senator THYE. One reason I raised the question was to find out if anyone was trying to appraise your plant to ascertain what you could do. If they are not, then they are negligent. That agency should do it.

Secondly, if the agency raises the question to you, then you must fill out that questionnaire, in order that you may expedite or assist them in getting the job done.

Mr. CUSHNER. That is a very pointed question, sir; so that the record will be clear, both Air Force and Navy—as a matter of fact,

there is an appointment at 3 o'clock today as a result of a consultation during the past 2 weeks——

Senator THYE. I am glad to hear it.

Mr. CUSHNER. Which has been instituted by the services, and they have been very energetic about this thing, in order to supply such round-out equipment so that each unit of the extruders industry may be able to furnish the entire eastern part of the country, the airplanes and shipyards, with a flow of extruded items. That is at Munitions Board, Admiral Ring and Admiral Wart and the Assistant Secretary of the Air Force, because of the experience in World War II, and the absolute necessity of these presses, because it takes about a year or a year and a half to build, install and activate a press.

Senator THYE. My concern is whether they had appraised your plant to determine what you were qualified to do.

Mr. CUSHNER. In there they are in the process now. The only thing they are concerned with, on the Munitions Board level, is this gap that may develop so that by the time they get around to us we will be alive at that time, and so that the prime producers who control the flow of the virgin metal keep letting the flow continue with some degree of manufacturing saturation point, below which, of course, some of the firms can't go, and that is our second problem.

We can't get the prime aluminum from Alcoa, Reynolds, and Kaiser.

Senator THYE. You can't?

Mr. CUSHNER. The allocations are so meager, you couldn't run 2 days a month, and that is all set out in my brief, Senator.

The CHAIRMAN. Yes; I have your brief here, and, without objection, it will be placed in the record at this point.

(The brief submitted by Mr. Cushner follows:)

A REPORT ON INDEPENDENT SMALL BUSINESS IN THE FIELD OF ALUMINUM EXTRUSIONS

(Submitted by M. Carl Cushner, general counsel, Aluminum Extruders Council)

This brief is herewith drawn and submitted specifically on behalf of the Aluminum Extruders Council and generally in the cause of small and medium business. It is a factual record written in humble sincerity but with the desperation begotten of its fight for survival as the death knell distinctly draws ever closer to the ears of small business yet cannot be heard by others who will not hear.

The Aluminum Extruders Council recognizes the unprecedented gravity of the crisis in which our Government is involved and the vastness of its defense program resulting therefrom. We are, therefore, stanchly dedicated to the acceptance of our full responsibilities in the discharge of whatever assignments may be ours to fulfill. To this end we pledge our plants, our investments, and our undying efforts.

The Aluminum Extruders Council is an association of firms throughout the United States engaged in the business of extruding aluminum forms and products. The originating aluminum with which production begins in these extrusion plants is known as "billets," the domestic supply for which is exclusively controlled by the prime producers, Aluminum Co. of America, Reynolds Metals Co., and Kaiser Aluminum & Chemical Sales, Inc. These billets are processed or extruded into various shapes and forms, in which fabrication field the members of this council and the prime producers are engaged. In relation to the prime producers of aluminum and the few larger firms engaged in the business of extruding aluminum forms and products, the Aluminum Extruders Council on this comparative basis is strictly representative of the comparably smaller firms located throughout the United States possessing approximately 30 percent of the extrusion presses in the country. The council presently represents better than 85 percent of such firms from coast to coast with more than a substantial prime aluminum extrusion capacity. These firms will hereafter be referred to as independent extruders.

The case of the independent aluminum extruder through its organization the Aluminum Extruders Council, aside from its vital production capacity as it relates to the vast defense production program, is grounded upon the provisions of the Defense Production Act, which contains sections deliberately designed to protect small and medium business, to the end that their efforts may be enlisted within the vastness of the defense production program.

PUBLIC LAW 774, CITED AS THE DEFENSE PRODUCTION ACT OF 1950

This act was approved on September 8, 1950. Quoting in part from its declaration of policy, this act contemplates "diversion of certain materials and facilities from civilian use to military and related purposes. It requires expansion of productive facilities beyond the levels needed to meet the civilian demand * * * and "* * * in order that * * * the national economy may be maintained with maximum effectiveness and the least hardship, normal civilian production * * * must be curtailed and redirected."

This act is designed to "promote the national defense by meeting * * * the requirements of military programs * * * and by preventing undue strains and dislocations upon * * * production or distribution of materials for civilian use within the framework * * * of the American system of competitive enterprise."

Written into this act are sections which reflect the interest and concern of Congress for the protection of small business enterprises.

Title VII, section 701 (a): "* * * that small business enterprises be encouraged to make the greatest possible contribution. * * *"

Section 701 (b) (i): "To * * * provide small business enterprises with full information * * * concerning activities of the various * * * agencies under this Act. * * *"

Section 701 (b) (ii): "* * * business advisory committees shall be appointed * * * for the purpose of consultation in the formulation of rules, regulations or orders * * * under * * * this Act, and in their formulation there shall be fair representation for independent small, for medium and for large business enterprises * * * for trade association members * * *"

Section 701 (c): "Whenever the President invokes the power * * * to allocate or approve agreements allocating, any material, * * * he shall do so in such a manner as to make available * * * for small business and various segments thereof in the normal channel of distribution of such material a fair share of the available civilian supply * * * and having due regard for the needs of new business."

In an apparent effort to give full meaningfulness to the interests of small business, Congress further enacted as part of this act:

Section 708 (e): "The Attorney General is directed to make * * * surveys for the purpose of determing any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of the administration of this Act."

Under the authority of the Defense Production Act of 1950, the National Production Authority on October 27, 1950, issued its first aluminum order, M–5. Section 26.1 thereof states: "Its purpose is to make possible maximum production of aluminum by reducing to a minimum disruption of normal distribution and by providing equitable distribution of rated orders among all aluminum producers and fabricators and all distributors and jobbers of aluminum."

On November 13, 1950, the National Production Authority issued its second aluminum order, M–7. Section 26.21 thereof states: "The purpose of this subpart is to describe how the aluminum remaining after allowing for the requirements of national defense may be distributed and used in the civilian economy. It is the policy of the National Production Authority that aluminum and articles made of aluminum, not required to fill rated orders, shall be distributed equitably through normal channels of distribution, and that due regard shall be given by suppliers to the needs of new and small business." This order limits the use of aluminum in civilian manufacture to 100 percent of a prior base period for December 1950 and reduces this percentage to 65 percent for the first quarter of 1951.

It is extremely pertinent to note here that, notwithstanding the specific provisions of the Defense Production Act of 1950, at no time prior to the issuance of either of these orders was there "a fair representation for independent small, for medium * * * business enterprises * * * for trade-association

members." Indeed "large business enterprises" were handsomely accommodated, which is hardly the case for "independent small, for medium" enterprises or "for trade-association members" on any existing "business advisory committee" in the aluminum industry. At no time was any representative of the Aluminum Extruders Council given an opportunity to be heard or invited for consultations or for the presentation of any facts or figures which might assist in an impartial promulgation of such orders. It is a matter of record that consultation with industry was confined to the few large aluminum prime fabricators, such as Alcoa, Reynolds, etc. This is a policy which has been adopted, to the date of this writing, by the Light Metals Division of the NPA, who had full and complete notice, in writing, of the existence of the Aluminum Extruders Council.

This independent extruders group has continuously petitioned and persisted in its right to be permitted to join the aluminum advisory committee, in which sat their normally big business competitors. Nothing more than unfilled promises and assurances were the fruits of this effort. The prime producers, the large extruders, and the independent extruders represent the entire prime aluminum extrusion field of the country. It would normally follow that the proffered cooperation of one large segment, the independent extruders group, would be welcomed by NPA into any fairly and impartially constituted aluminum industry advisory committee. What possible reason could there be for this persistent exclusion? It is, therefore, with little wonder that limitation orders were issued with suddenness upon the unsuspecting independent extruder, while other privileged and favored persons or firms were possessed of "the proper information" long before the issuance of such orders. This was hardly providing "* * * small busines enterprises with full information * * * concerning activities of the various * * * agencies under this act * * *" The apparent disregard for the interest and protection of small business has become alarming.

An examination of the facts and developments as they existed at this point may prove rather revealing. In the early part of August 1950, long before any of the independent extruders had any suspicion of what was in the wind insofar as the limitation of the use of aluminum was concerned, Alcoa and Reynolds notified members of this Council that they were to be put on allocation and thereupon, arbitrarily and without consistency, proceeded to reduce substantially the monthly orders of aluminum (billets) placed in advance by the independent extruders, despite firm orders which had been placed, accepted, and acknowledged. In a matter of weeks thereafter and long before order M–7 issued, further arbitrary and inconsistent cuts in allocation to the independent extruders followed. What information that should have been equally available to the independent extruders was in the hands of the prime producers, big business, which so early began the program of strangulation of small business?

A further examination of order M–7, which limits the use of aluminum in civilian manufacture, reveals the fact that the prime producers, big business, were for all intents and purposes excluded from its provisions under section 26.24 thereof. The independent extruder was engaged in the manufacture of its own end product and to a degree in the manufacture of gray extruded forms and shapes. The prime producer is exclusively engaged in the manufacture of gray extruded forms and shapes plus other gray products, all of which are excluded from the limitations contained in the provisions of order M–7. Thus, it is clear, that M–7 was written for the exclusive control of the little fellow, the small independent extruder, upon the advice of the existing "aluminum advisory committee," Alcoa, Reynolds, et al. This left the field of the manufacture of gray extruded forms and shapes wide open. But who had the stranglehold on the supply of prime aluminum—billets, to take advantage of this wide open field? Alcoa and Reynolds. Unfortunately, notwithstanding the many protests against the unwarranted meager allocations established by Alcoa and Reynolds, which quantitatively could only keep plants going at a pace far below a break-even point, not even these allocations, in many instances, were delivered to the independent extruders in October and November of 1950. In other instances, some independent extruders received nothing in either or both months; others have not even yet received their aluminum billets from scrap deposited with Alcoa and Reynolds as far back as July and August of 1950. This fact becomes more significant with the knowledge that the month of November 1950 was the last month of unlimited use of aluminum in civilian manufacture. In its search for relief, the independent extruder petitioned NPA to permit an unrestricted use of imported aluminum. We argued that this would hardly affect the domestic stockpile, keep the presses of the small plants operating at some degree of normal until the Government was ready to convert these plants to defense production,

and keep prices from spiraling. This met with failure since no action to date has been taken on this subject by those in authority. On this subject it would be well to read the published brief filed on June 14, 1950, by the Aluminum Import Corp. in answer to an application filed by Reynolds Metals Co. and Kaiser Aluminum & Chemical Corp. to increase the import tariff of Canadian aluminum. For sheer survival, therefore, this induced a flurry of scrap purchasing on the open market by independent extruders who sent this scrap along to Alcoa and Reynolds for conversion to billet, which conversion ordinarily requires a period of from 30 to 45 days.

In the failure of the independent extruders thus to receive "a fair share of the available civilian supply" plus the unexplainable delay in receiving its scrap conversion from Alcoa and Reynolds, the process of annihilation of the small independent extruder was in full swing. Who then was thus receiving or retaining this vast volume of aluminum which would normally flow in a fair measure into the plants of the small independent extruders? It is again here significant to note that Bohn Aluminum & Brass Corp. of Detroit published its third quarter statement of 1950 with the observation that it had enjoyed the largest quarterly volume of aluminum fabrication in its entire history. Alcoa was developing an extrusion fabrication expansion unprecedented during any part of 1950 under a pretext of a volume of defense production which could not be supported through any information we could gather. Big business has thus been given its own field day.

It is historically factual that even during normal times these Goliaths, who hold an exclusive on the production of aluminum pig, have time and again been called to task on aluminum distribution. What with the aiding and abetting by those who have ears that will not hear and eyes that will not see, it is little wonder that these Goliaths in the aluminum industry are so arbitrarily and ruthlessly subjecting the independent small extruder to ridiculous allocations. It was admitted during conferences with Alcoa that some of the larger extruders are being accorded better treatment in allocations as against the small independent extruders; that it was expanding its extrusion fabricating capacities regardless of any notions small business possessed of "equitable distribution." Could this possibly have been consistent in spirit or word with "* * * that small business enterprises be encouraged to make the greatest possible contribution * * *"? Billet customers, the independent extruders (those who use virgin aluminum as the originating metal with which their production begins and are thus in direct competition with Alcoa and Reynolds), are suffering heavily from this status of distribution, while extrusion customers (those who purchase the fabricated product) enjoy a comfortable supply if not an unlimited one. This may be explainable in view of the greater amount of profit in extrusion sales as against billet sales. Alcoa and Reynolds have acquired their vast virgin aluminum empire at great cost to our Government who never intended that it be used as an instrument with which to exterminate legitimate small business. But here it is, and nobody seems to do anything about it except small business whose cries have been lost in the wilderness of economic confusion.

In May of 1950 Alcoa embarked on a price-change policy by increasing their price of billet (virgin aluminum) and reducing the price of extrusions (fabricated items). The squeeze was on. Those independent extruders who purchased their billets from Alcoa and who were in direct competition with Alcoa on resulting extruded fabrications began to feel that squeeze. With the enactment of the Defense Production Act and the emergence of the National Production Authority, the large prime producers of aluminum have apparently been given a new effective instrument "distribution" with which to exterminate the small independent extruder. All this, notwithstanding the provisions of the Defense Production Act which provided that there shall be made "available * * * for small business and various segments thereof in the normal channel of distribution of such material, a fair share of the available civilian supply * * * and having due regard for the needs of new business"; and under order M-7 now under discussion " * * * that aluminum * * * not required to fill rated orders shall be distributed equitably through normal channels for distribution and that due regard shall be given by suppliers to the needs of new and small business."

In the light of the existing law, one would assume that NPA in the issuance of its limitation orders had very diligently and with much consideration and full consultation reviewed facts and figures relative to any contemplated orders. It is also fair to assume that in the actual issuance of its orders permitting the use of aluminum in civilian manufacture to a 65 percent of normal that there is available 65 percent of the domestic supply of aluminum for such civilian produc-

tion. This is a factual statement derived from order M–7 which predicates this percentage in section 26.21 thereof, viz: "Purpose and scope: The purpose of this subpart is to describe how the aluminum remaining after allowing for the requirements of national defense may be distributed and used in the civilian economy." It is therefore the conclusion that if NPA was sound in the issuance of order M–7 it was virtually saying, "after allowing for the requirements of national defense there is 65 percent of the aluminum supply remaining and may be distributed and used in civilian industry." To conclude otherwise would be to accuse NPA of enlisting unqualified personnel to administer the aluminum fabricating industry. When NPA on December 1, 1950, increased this permissive percentage to 80 percent for January 1951, a similar conclusion was justified by independent extruders in accepting orders and arranging their production schedules. It therefore remains unexplainable that while NPA has increased the permissive use of aluminum from its original 65 percent to 80 percent in January of 1951 and 75 percent in February of 1951, the process of extermination of the small independent extruder keeps gaining momentum by virtue of the extreme inequities existing in the distribution of aluminum by the prime producers under an avowed Government stated policy of equitable distribution. Where then was all the virgin aluminum going? No one, not even the Light Metals Division of NPA has yet offered an answer that is supported.

Air Force and Navy Department, whose prompt and efficient action on behalf of and concerned with the importance of the independent extruders in the defense production picture is the only refreshing element in this entire scene, have indicated the importance of keeping the presses of the independent extruder operating at some level so that they may be available for immediate conversion to defense production. They are aware of the fact that it takes over a year to build, install, and activate an extrusion press. To do anything short of this would mean that the independent extruder would be out of business long before his facilities for defense production were summoned. Aside of the resulting effect upon the employment question, the independent extruder just wouldn't be around at that time, for he cannot possibly hold his organization together indefinitely until such time as conversion can be effected unless he is permitted to continue operating at the cost of a trifling fraction of the increasing aluminum supply. Yet even this had left little or no impression with the Light Metals Division of NPA.

Who then is deciding the policies of NPA for the aluminum industry? Undoubtedly, big business—Alcoa and Reynolds, et al.—for they already command most all of the defense orders available to date. Have they been affected in any way by any of the limitation orders thus far issued by NPA? Not one iota. Any theoretical gap in civilian production for them has been more than closed by the defense orders they possess. How then is small business to survive under these circumstances?

With a process which appears almost as deliberate in its planning as in its result to squeeze the independent extruder out of business, NPA is now contemplating a conservation order which encompasses the final extermination of all small independent extruders on and after April 1, 1951, by eliminating all use of aluminum in civilian production. In the light of the severity of such a death-dealing order, the small independent extruder has not even yet been invited to join the advisory committee for the aluminum industry, notwithstanding the promises and assurances to the contrary by the Director of the Light Metals Division of NPA. We, however, venture to prophesy that if and when such an order of extermination comes, it will undoubtedly exclude some items affecting "big business." It would indeed be consistent with past performances. It is natural therefore that we, the "stepchildren" of the aluminum industry, should have vigorously injected our protests on the ground that such a move would put out of business about 11,000 units of all levels of aluminum fabrication, throw thousands of people out of work, eliminate a lifetime of investments and jeopardize the productive capacity of the extrusion presses of the independent extruders so vital to the defense program; chaos and financial ruin would result in the cases of many independent extruders and would "tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of the administration of this act."

With the impact of the thunderous protests registered by industry against this potential "death order," NPA has apparently temporarily withheld its issuance. It is, however a, foregone conclusion that this order will issue with the same explosive suddenness as that which accompanied those which preceded it, unless someone in authority intervenes to prevent it now.

During this temporary respite and with the same explosive suddenness and without the slightest inkling of its coming, NPA on Friday, January 18, 1951, issued its scrap order, M–22. The impact of this order has left an otherwise vigorous industry limp and almost lifeless insofar as the independent extruders as well as other fabricators are concerned. Having been practically eliminated by virtue of the existing "inequitable distribution" of billets, the only means of survival for the independent extruder was the purchase and conversion of scrap to keep their presses operating. This last vestige for survival has now gone into thin air. There is to be no more purchase and conversion of scrap except by a "preferred list" set forth in this order. What yardstick was used for this preference is yet unexplained. Many independent extruders possess their own billet casting equipment supplied by their own generated scrap, yet they are compelled to sell their own generated scrap, at an eventual loss, to Alcoa and Reynolds, et al. without the return of a single billet. Are these firms to bury their conversion equipment and forget the investments involved? It hardly makes sense from an examination of the "preferred list" that many firms appearing therein do not even possess their own melting and billet casting equipment. Again, the independent extruder without an opportunity to be heard and stripped of his right to be consulted, for reasons best known to the Light Metals Division of NPA, is finally being eliminated from his industry. Henceforth all scrap purchased in the open market or generated in the plants of the independent extruders is to be sold to big business, without a pound of aluminum in return. Without equivocation, this means that the independent extruders will be closed tight in a matter of days. NPA has already given big business the opportunity for a stranglehold on the virgin aluminum. NPA under this scrap order, M–22, has given an exclusive on the country's scrap aluminum to big business. The job is now complete. The big boys wanted the little fellows out of business for quite some time but couldn't accomplish it. NPA has now done it for them, without the "extermination order" which will do the final job. What special and privileged group maneuvered this scrap order?

Where in the immediate defense program is the resulting vast aluminum supply to be digested? There are certainly not sufficient defense orders presently available. There are none yet in existence but rather in the making, which we are assured the independent extruders will be called upon to fabricate. This has been thoroughly explored in conjunction with Air Force and Navy procurement.

If it is a fact that our Government in its present crisis requires all the aluminum available in its defense program, the Aluminum Extruders Council would not only applaud the moves thus far taken but would gladly and willingly give up all its present inventory of aluminum, however small it might be, to insure the success of the defense program. From personal explorations there are howeve. no such present requirements that could possibly warrant or support such drastic action. The severe action taken by NPA, in our considered judgment, will injure immeasurably rather than help the public welfare. Where is the "fair representation" in the thinking prior to the enactment of orders; the "fair share of the available civilian supply"; the protection against "injury to small business", etc.? Is this again mere idle language only adopted a short 4 months ago. How in good common sense could these annihilation orders be instituted even before the ink has yet dried on orders issued from the same source, increasing the permissive use of aluminum in civilian manufacture under the very order M–7 as amended. Isn't it rather anomalous for NPA to say in one breath under directive 2 to M–7 as late as December 16 that there is an 80 percent civilian supply for January 1951, 75 percent civilian supply for February 1951, and 65 percent for March 1951 and in the same breath cut the entire aluminum supply from under the feet of independent extruders. It just doesn't make sense. We are compelled to the conclusion that the aluminum extrusion industry is being administered by officials who know little or nothing about the extrusion industry, otherwise this development would be utterly impossible.

It is indeed hoped that there is yet time to avoid the chaos and financial ruin which we believe now needlessly faces the independent aluminum extruders of the country, which carries with it the very real threat of a severe blow to the production potential of our defense program. It is our genuine hope that a sane and impartial reassessment of the present defense production picture in the aluminum field will serve the best interests of our national welfare and the defense production program, in both of which the independent extruders should and can assume their rightful place in the total effort.

It is therefore urged that a full and complete investigation of the aluminum industry be instituted at once and its administration by NPA be simultaneously

reviewed. It is imperative that real meaning and effectiveness be given to the Defense Production Act of 1950 as regards small business in order that the administration of the act may, in equity and good conscience, be fairly and impartially administered to all, both large and small. The Defense Production Act of 1950 allows for just such a course, viz: Section 708 (e)—"The Attorney General is directed to make * * * surveys for the purpose of determining any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of the administration of this act."

To the end that we may all, without exception, join in unity for the unprecedented task ahead without fear or favor, this record is submitted in the sublime faith that in the final analysis justice will be served.

## STATEMENT OF ELTON DARBY, OF THE UNION ALUMINUM CO., SHEFFIELD, ALA.

Mr. DARBY. We manufacture prime, popular-priced aluminum windows. Our company began business 5 years ago in a one-car garage, two ex-GI's with very little money, and a limited amount of production experience. The product we were trying to market was a new product, and it met with some resentment and not too good a reception from the builders, architects, and building-supply dealers.

Today 5 years later, we have 160,000 square feet of floor space. Our windows can be found in $50,000 houses on Long Island, as well as the low-cost housing projects throughout the country.

The CHAIRMAN. How many employees do you have?

Mr. DARBY. We have approximately 200 employees. Our chief competition then, as now, is wood and steel windows. The raw material supply is not allocated, and the business that we enjoy now we have taken out of their hide, so to speak. They are left without the raw material being allocated to furnish their customers. If we are knocked out of business now by the elimination of our material, no one will be ruined financially, but the dealers and distributors we have set up around the country, small-business men and all who have spent 5 years trying to merchandise the product did not meet with too good a reception at the beginning, will be completely knocked out of business.

We alone in our company have 600 distributors and dealers, small-business men, who depend to a large degree on our product for a livelihood.

The CHAIRMAN. You make the whole frame, the whole sash out of aluminum?

Mr. DARBY. We make a frame window, to be distinguished from a storm sash that goes on a prime window.

The CHAIRMAN. Everything goes in?

Mr. DARBY. Yes.

The CHAIRMAN. Is there any substitute metal you can use? Of course, housing is certainly essential.

Mr. DARBY. Yes.

The CHAIRMAN. Windows are essential for housing.

Mr. DARBY. Yes.

The CHAIRMAN. But the question comes up whether other materials can be used for the windows.

Mr. DARBY. Other materials can be used, Senator, but we have no basis on which to buy steel.

The CHAIRMAN. Well, I do not think you could move from aluminum to steel very well, nor even to plastics. I don't know what—in my own mind, I cannot think of anything except wood, but I just wondered if you had given any thought to substitute materials?

Mr. DARBY. Yes, sir; we have given thought to it, Senator, but the materials we could use as substitutes are just as scarce as aluminum, and are on the restricted list.

Senator THYE. Your plant would not be equipped to plane and join wood to make a window sash?

Mr. DARBY. No.

Senator THYE. You would have to throw out all the equipment you have and start from scratch?

Mr. DARBY. Yes.

Senator THYE. And of course you could not get the materials or supplies?

Mr. DARBY. That is correct.

Senator THYE. So it is either aluminum, or out of business, or get a war contract?

Mr. DARBY. That is the answer.

Senator THYE. That is the situation in my own State, I know.

Mr. DARBY. We have tried for war business and met with no success. We have tried hard to secure war work since August of this year. We have 200 families that have not missed a pay check from our small plant for 3 years. Now, 200 pay checks is not much in New York, but in Sheffield, that is a lot of pay checks. The people when they came with us were unskilled. Now they are skilled aluminum fabricators. If our material is cut off, and we have to once again build a new force, it will take us at least a year to get back to our present rate of production we enjoy, which is 2,000 windows a day now.

The CHAIRMAN. Senator Hunt?

Senator HUNT. No questions.

The CHAIRMAN. Is your plant capable of converting to war work?

Mr. DARBY. Yes, sir.

The CHAIRMAN. It is a matter of getting orders?

Mr. DARBY. Yes, sir.

The CHAIRMAN. It is generally anticipated that there may be a 6-month lag in getting defense orders channeled into small business. What would you be capable of doing during that 6 months if your materials were to go off?

Mr. DARBY. We would be capable of going bankrupt, Senator.

The CHAIRMAN. In other words, you cannot stand a 6-month lag?

Mr. DARBY. No, sir; we cannot. If we are cut down to a 6-month drag, we will do this. The people we have got to sell our product competes directly against steel. They would be completely against the mercy of competition from steel and wood windows. We would lose our key personnel. People cannot wait 6 months for us to get something to do. That means once again it will take a year to get people trained to manufacture windows.

Third, we will lose a small amount of financial stability, a growing business going from a one-car garage to over 8 acres under roof that we have been able to build up. Naturally we have not been able to bank much money to do that. We are financially solvent.

We owe no one. Not only that, but in my opinion, the American people will lose a heck of a good product.

The CHAIRMAN. That is a pretty good plug.

Mr. DARBY. I am a salesman, sir.

The CHAIRMAN. I agree with you. I think you are right. We certainly hope that something can work out. You were accompanied by Mr. Jim Smith. Do you have anything to say?

Mr. SMITH. Thank you, Senator, no. I think you covered it pretty well.

The CHAIRMAN. Mr. Brant Maynard.

Mr. MAYNARD. I should imagine your eardrums are pretty well beat down by now.

The CHAIRMAN. Your full statement will be printed in the record.

(The statement of Mr. Brant Maynard is as follows:)

## A REPORT ON THE DADE COUNTY ALUMINUM INDUSTRY

(Prepared under instructions of the Dade County Aluminum Board of the Miami Chamber of Commerce, Miami, Fla.)

MARKET RESEARCH & SURVEYS, INC.,
*Miami, Fla., December 11, 1950.*

CHAIRMAN AND BOARD OF DIRECTORS,
*Dade County Aluminum Board, Miami, Fla.*

GENTLEMEN: In accordance with instructions given us November 16, we have prepared and attach hereto comprehensive report on the effect of National Production Authority order M–7 upon the Aluminum Industry, Dade County, Fla.

The report is factual; all statistics are derived from information supplied by members of the Dade County aluminum industry. This letter is to be construed as a part of the report.

We have outlined in detail methods used by us in making the survey upon which the report is founded. For the purpose of analyzing and correlating the effect of NPA order M–7 upon the Dade County aluminum industry, all totals were divided into four groups, as indicated in table 1 of the report. This grouping and analysis is constant throughout.

The report determines (*a*) the effect of NPA order M–7 upon the Dade County aluminum industry and (*b*) the capacity of the industry to convert to a war production basis in the national emergency.

The number of aluminum plants included in this report is 76.

They used in the base period, January 1, to June 30, 1950, 8,619,615 pounds of aluminum. These figures were rechecked and verified by an executive of our organization.

It will be also noted in table 8 that 73.7 percent of the plants visited keep cost-accounting records. It is, therefore, our opinion that the quantities reported to have been used in the base period are substantially correct and not subject to successful contradiction.

### EFFECT OF ORDER UPON INDUSTRY

The effect of order M–7 upon the Dade County aluminum industry is clearly demonstrated in tables 6 and 7.

It appears that the industry may suffer a major disaster since 46.1 percent of the aluminum users state that in terms of percent of capacity they cannot operate profitably if the availability of their supply is cut by as much as 35 percent of the quantity they used in the base period, January 1 to June 30, 1950. This group is largely composed of users whose total manufactured output is absolutely dependent upon aluminum.

Their figures are not guesses. Reference is again made to table 8, showing that 73.7 percent of the industry keeps cost-accounting records and that their knowledge

of "break even" point with respect to both profitable operation (table 5) and quantity of aluminum needed to operate profitably (table 6) is based on cost-accounting records in their offices. Of the remaining 26.3 percent more than one-third based their statements on records of past operations.

### EFFECT OF ORDER ON EMPLOYMENT

The adverse effect of the order is not limited to plant owners. The impact also falls with equal emphasis upon plant labor.

Nearly 74 percent of plant owners and operators said they would be compelled to reduce their staffs. Total reductions would be 1,087 employees.

Giving consideration to the relatively limited demand for skilled labor in industry in Dade County, and the demand for labor in areas where large war contracts have already been assigned, the Dade County aluminum industry should consider the grave possibility of emigration of their skilled labor from the metropolitan Miami area, if the number of plants indicated were to be forced to shut down.

### CAPACITY OF INDUSTRY TO CONVERT TO WAR PRODUCTION

The combined covered plant area owned and/or operated by the Dade County aluminum industry is nearly 2,000,000 square feet.

In the base period, 48 out of the 76 plants did not operate at 100-percent capacity (table 4a); nevertheless the industry used 8,619,615 pounds of aluminum.

Reference is made to the summarized inventory in exhibit II, showing the quantity of machinery and equipment available in the 76 manufacturing plants in Dade County. The inventory shows that the industry owns 383 forming and punch presses, ranging in capacity from 5 to over 50 tons; and a multiplicity of other equipment totaling, including the forming and punch presses, 1,486 machines. The inventory excludes hand tools.

More than half the manufacturing plants maintain an engineering staff of whom 65 percent are graduate engineers and 17 percent practical engineers.

Twenty-nine companies, or nearly 40 percent of the Dade County aluminum industry were in operation during World War II; and 86 percent manufactured products under Government specifications. Products included both nonferrous and ferrous.

The capacity of the industry in the current emergency is not limited to the types of products presently manufactured. The industry has indicated and shows in table 16 that without basic conversion it is in a position to mass produce box-type units, curvilinear units, machine components, rough castings, finished castings, and a vast number of miscellaneous products.

We have included in the report a few pertinent facts relating to Dade County—the metropolitan Miami area—as a potential war center for further development. We have not enlarged upon these since the inclusion of any lengthy discussion would go far beyond the intended scope of this report.

From the evidence uncovered in our survey, and factually analyzed in tables 1 to 24 of the attached report, it is our opinion that unless consideration is given to the effect of seasonal demand in the Miami area and the reasons therefore as determined in table 5a, that establishment of a base period, January 1 to June 30, 1950, upon which to determine the quantity of reduction in aluminum use by the Dade County aluminum users, works an undue hardship upon the industry generally; will cause a sharp reduction in the quantity of skilled labor employed and may result in emigration of this skilled labor from the Miami area to other sections of the country.

Yours sincerely,

JULIAN LANGNER.

### AUTHORITY FOR SURVEY

At a meeting of a committee of the Dade County Aluminum Board, November 16, 1950, Market Research & Surveys, Inc., an independent professional research organization, Miami, Fla., was authorized to make a factual report on the impact of National Production Authority order M–7 upon the Dade County aluminum industry.

*Summary*

| | |
|---|---|
| Number aluminum plants, Dade County included in report | 76 |
| Quantity aluminum used in base period—pounds | 8, 619, 615 |
| Quantity aluminum used July 1 to Dec. 31, 1950—do | 10, 087, 034 |
| Percent increase July 1 to Dec. 31, 1950, over base period | 22 |
| Number plants wholly dependent upon aluminum for profitable operation | 58 |
| Percentage manufactured output wholly dependent upon aluminum | 52. 7 |
| Percent of aluminum users who cannot operate profitably under order M–7 | 46. 1 |
| Number employees in industry | 2, 680 |
| Indicated reduction in number employees | 1, 087 |
| Number of plants with self-contained engineering staff | 41 |
| Number of plants in operation during World War II | 29 |
| Industry experience record manufacturing under Government specifications | 86. 2 |
| Percent of industry to mass produce without basic equipment conversion | 57. 9 |
| Percent of industry equipped to make its own tooling | 69. 7 |
| Total combined covered plant area—square feet | 1, 929, 251 |

## Purpose of Survey

To determine the effect of National Production Authority Order M–7 upon the Dade County (Fla.) aluminum industry.

To determine the ability of the Dade County aluminum industry to mass produce nonferrous (and ferrous) products in the national emergency, without basic changes in machinery and equipment.

## Methods Employed in Making Survey

A list of 114 users of aluminum in Dade County was prepared by the research and business services division of the Miami Chamber of Commerce.

A comprehensive questionnaire was prepared by Market Research & Surveys, Inc. (exhibit I) and submitted to the board of directors for approval.

Draft of proposed questionnaire was submitted to and approved by the Dade County Aluminum Board. Concurrently a letter was sent to all users requesting their cooperation in making the survey.

### Number of users included in the report

Commencing the week of November 20, 1950, a trained staff of researchers of Market Research & Surveys, Inc., called on the owner and/or executive of the 114 users of aluminum in Dade County for the purpose of securing the information required to complete this report.

Of the 114 users visited 1, who used aluminum incidental to other large operations, refused to cooperate.

Of the remaining 113 companies, 9 had consolidated with other companies, had removed from Dade County, or were otherwise not engaged in the aluminum industry; 25 used aluminum in such small quantity as to be unaffected by order M–7; and 1 purchased all its aluminum from another Miami company.

Eliminating the above, the survey was confined to 76 users (66.7 percent) of the total (114) users visited and interviewed by research representatives.

### Checking and verification

The quantities of aluminum used in the base period as reported in this survey are the combined totals of the quantities reported by the owners and/or executives of each user-manufacturer interviewed.

For the purpose of verification the respondent was contacted by telephone and was requested to verify directly to an executive of Market Research & Surveys, Inc., the quantity of aluminum used by him in the base period reported by the research representative in the questionnaire (question 1—exhibit I). At the same time vertification was had that the quantities used in the base period were purchased from prime suppliers.

The answers to the questionnaire were carefully tabulated and correlated.

### GROUPING OF USERS IN REPORT

For the purpose of accurate evaluation the responses to all questionnaires were broken down into four groups using in the base period. Group (1) 500 to 4,999 pounds of aluminum; group (2), 5,000 to 24,999 pounds of aluminum; group (3), 25,000 to 99,999 pounds of aluminum; group (4), 100,000 pounds of aluminum and over.

The above grouping as factors are constant throughout the report.

Tabulations and correlations in each group are contained in tables 1 to 24 of this report.

### WEIGHTING

Figures are not weighted except estimates of use in the second 6 months of 1950. Weighting was necessary in column 4, table 3, to determine estimated total use in the period July 1 to December 31, 1950.

These "no estimates" were screened and weighted by adding the totals of the companies responding in each group, dividing the total by the number of responses and adding the averages to the number of "no estimates." Only by this method could any total use in the period July to December 1950 be determined.

(NOTE.—No allowance was made for the fact that the total use of aluminum in the first 6 months' period was less than in the second 6 months' period of 1950.)

### TOOLING—RELATED INDUSTRIES

To determine the availability of tooling required by the relatively few firms not equipped for the purpose, users were requested to supply the names and addresses of their suppliers (if any). A second questionnaire was prepared and taken to this group. Nineteen such concerns were listed but a majority were found to be distributors for northern manufacturers.

The reports of the machine-shop group are not shown to avoid disclosure of their business. (They are, however, available if required by Government agencies).

### STATISTICAL ANALYSIS AND CORRELATION OF ANSWERS TO QUESTIONNAIRE [1] BY DADE COUNTY ALUMINUM USERS

For the purpose of analysis in depth the answers and proper correlation of the 76 users of aluminum in Dade County upon which this report is based have been divided into four groups as follows:

TABLE 1

| Use of aluminum | Number | Percent |
|---|---|---|
| 500 to 4,999 pounds | 19 | 25.0 |
| 5,000 to 24,999 pounds | 22 | 28.9 |
| 25,000 to 99,999 pounds | 13 | 17.2 |
| 100,000 pounds and over | 22 | 28.9 |
| Total | 76 | 100.0 |

### TOTAL USE OF ALUMINUM IN BASE PERIOD [2]

Question 1: "What was the total quantity of aluminum by weight in pounds used in your plant in the base period January 1 to June 30, 1950?"

TABLE 2.—*Showing total quantity of aluminum used, by weight in pounds used in 76 fabricating plants in Dade County, Fla., in the base period Jan. 1 to June 30, 1950*

| Group | Total pounds | Percent |
|---|---|---|
| 500 to 4,999 | 34,920 | 0.4 |
| 5,000 to 24,999 | 247,750 | 2.9 |
| 25,000 to 99,999 | 623,594 | 7.2 |
| 100,000 and over | 7,713,351 | 89.5 |
| Total | 8,619,615 | 100.0 |

[1] For questionnaire see exhibit I.

[2] All quantities "use and/or purchase" from primary suppliers.

It will be observed that 22 companies, comprising 28.9 percent of the total number of fabricators interviewed, use 89.5 percent of the aluminum in the area.

These quantities are not to be construed as the total quantity of aluminum supplied by representatives in Dade County of prime suppliers.

Extreme care has been used to prevent overlapping of use; that is that quantities declared by fabricators (users) did not include quantities purchased from other fabricators and/or users in the area.

The answers were checked and verified and wherever it was found that one fabricator bought any portion of supply from another fabricator, the quantity was eliminated from the total result.

The above figures represent an accurate statement and analysis of the quantities reported by the 76 users of aluminum in Dade County and are as reported and verified by the companies interviewed.

TOTAL USE OF ALUMINUM, 12-MONTH PERIOD ENDING DECEMBER 31, 1950

Question 4: "If you do not use the same quantity of aluminum in each month of the year, please estimate quantity you use by months."

This question was asked (*a*) to determine the difference, if any, between totals given by each respondent in question 1, (*b*) to determine the quantity used in the period July 1 to December 31, 1950 (partly estimated by respondents), and (*c*) to determine seasonal differences in plant operation, if any.

TABLE 3.—*Showing by groups quantity of aluminum used in first and second 6 months respectively, in the year 1950; percent of total quantity used; percent increase in quantity used in second 6 months of 1950; total quantity used and percent of total quantity used in 1950 by each group*

| Group | First 6 months | | Second 6 months | | Percent increase, second 6 months÷first 6 months | Total year | |
|---|---|---|---|---|---|---|---|
| | Pounds | Percent | Pounds [1] | Percent | | Pounds [1] | Percent |
| 500 to 4,999 | 33,344 | 0.4 | 58,038 | 0.6 | 74.1 | 91,382 | 0.5 |
| 5,000 to 24,999 | 243,965 | 3.0 | 647,941 | 6.4 | 165.6 | 891,906 | 4.9 |
| 25,000 to 99,999 | 601,104 | 7.3 | 1,081,311 | 10.7 | 79.9 | 1,682,415 | 9.2 |
| 100,000 and over | 7,387,974 | 89.3 | 8,299,744 | 82.3 | 12.3 | 15,687,718 | 85.4 |
| Total | 8,266,387 | 100.0 | 10,087,034 | 100.0 | 22.0 | 18,353,421 | 100.0 |

[1] Weighted.

It will be observed that in the second 6-month period (July 1 to December 30, 1950) 22 percent more aluminum was used than in the base period January 1 to June 30, 1950. This is due to seasonal demand (see table 5a) which vitally affects the aluminum industry in south Florida.

ANALYSIS OF TABLE 3

There is a differential in quantity of aluminum used in the first 6 months (base period) when calculated by months compared to quantity of aluminum estimated to have been used in the second 6-month period. In the second period the quantity used exceeded the quantity used in the first period by 1,830,647 pounds. This differential is shown percentagewise for each group and averages 22 percent of the whole.

Reasons for this differential, as given by respondents, revolve principally around the building and construction industry; and the seasonal increase in aluminum use in the building industry in the second 6 months of the year.

Other reasons advanced by the industry are analyzed in detail in table 5a.

It is important to note that in the largest user group—100,000 pounds of aluminum and over in the base period—the increase percentagewise is lowest, only 12.3 percent and that the user group 5,000 to 25,000 pounds in the base period has the greatest increase—165.6 percent. This is due to the fact that the quantity increase in the largest user group, even though about 1,000,000 pounds, is still only one-eighth of the total while in the 5,000 to 25,000 group it is more than double its total. This also explains the percentage drop in the second 6 months

for the 100,000-pounds-and-over group, even though there was an actual increase in quantity used. When compared to the increases in the other groups the quantity used by this group actually represents a decrease.

To determine the validity of the answers to question (1), total quantity of aluminum in the base period, and the answers to question (4), quantity used each month in the base period, a correlation of answers to both questions has been developed. Differential is 4.3 percent, a negligible quantity.

TABLE 3a.—*Showing comparison between statements of total quantity of aluminum used in the 6-month base period—question 1 and estimates of quantities used each month January to June, inclusive*

| Group | Total pounds, question 1 | Percent | Total pounds, question 4 | Percent |
|---|---|---|---|---|
| 500 to 4,999 | 34,920 | 0.4 | 33,344 | 0.4 |
| 5,000 to 24,999 | 247,750 | 2.9 | 243,965 | 3.0 |
| 25,000 to 99,999 | 623,594 | 7.2 | 601,104 | 7.3 |
| 100,000 and over | 7,713,351 | 89.5 | 7,387,974 | 89.3 |
| Total | 8,619,615 | 100.0 | 8,266,387 | 100.0 |

The quantity of aluminum reported by respondents as used in the base period (question 1) is 353,228 pounds (4.1 percent) higher than the estimates of quantity used in the same period when estimated by months (question 4). This is due to estimating by those respondents where monthly cost-accounting systems are not used and no monthly figures are otherwise available.

### PERCENT OF CAPACITY OPERATIONS IN BASE PERIOD

Question 2: "Did your plant operate at 100 percent capacity during the entire 6 months of the base period (January 1 to June 30, 1950)?"

TABLE 4.—*Showing in percent of 100 percent capacity operations of plants in each group*

| Group | Yes | No | Partly | No answer |
|---|---|---|---|---|
| 500 to 4,999 | 10.5 | 14.5 | | |
| 5,000 to 24,999 | 7.9 | 18.5 | 2.6 | |
| 25,000 to 99,999 | 1.3 | 14.5 | 1.3 | |
| 100,000 and over | 7.9 | 15.8 | 2.6 | 2.6 |
| Total (76 plants, 100 percent) | 27.6 | 63.3 | 6.5 | 2.6 |

Forty-eight plants, 63.3 percent of the respondents said their plant did not operate at 100 percent capacity during the 6-month base period. The four groups show no substantial variance. 6.5 percent said they operated part of the time at capacity and 27.6 percent said they operated at 100 percent for the 6 months.

Table 4a is a breakdown of the 48 plants (63.3 percent of respondents) who said they did not operate at 100 percent capacity; 39.6 percent stated they operated 45 percent capacity or under; 20.8 percent at 50 percent capacity, and 35.4 percent at 60 percent or over. Further analysis is continued in the answer to question 14 (table 13).

TABLE 4A

| Group | 45 percent and under | 50 percent | 60 percent and over | No answer |
|---|---|---|---|---|
| | | | | *Percent* |
| 500 to 4,999 pounds | 12.5 | | 8.3 | 2.1 |
| 5,000 to 24,999 pounds | 10.4 | 8.3 | 8.3 | 2.1 |
| 25,000 to 99,999 pounds | 6.3 | 8.3 | 8.3 | |
| 100,000 pounds and over | 10.4 | 4.2 | 10.5 | |
| Total (48 plants, 100 percent) | 39.6 | 20.8 | 35.4 | 4.2 |

RELATIONSHIP OF SEASONAL CHANGES TO PLANT OPERATIONS

Question 3; "Is your percent of plant operation affected by seasonal changes?" To this question 64.6 percent of the respondents answered "Yes"; 32.8 percent answered "No."

Analysis of answers to this question show conclusively that plant operations of a substantial majority of the Dade County aluminum industry are related to seasonal changes. Thirty-two (65.2 percent) of the respondent aluminum fabricators give as the chief reason their reliance upon the building, and their relationships to that industry, as a principal market; and the reliance of the building industry upon the fabricated aluminum products of the Dade County aluminum industry.

An analysis of the response to the question "Yes" or "No" is shown in the following table.

TABLE 5.—*Showing the percent plant operators in each group affected or not affected by seasonal changes in demand*

| Group | Yes | No | No answer |
|---|---|---|---|
| 500 to 4,999 pounds | 15.8 | 9.2 | |
| 5,000 to 24,999 pounds | 17.1 | 11.8 | |
| 25,000 to 99,999 pounds | 14.5 | 2.6 | |
| 100,000 pounds and over | 17.2 | 9.2 | 2.6 |
| Total (76 users, 100 percent) | 64.6 | 32.8 | 2.6 |

Further detail of the above and other reasons are shown in table 5a on the following page.

TABLE 5a.—*Percentagewise reasons given for seasonal changes in plant operation*

| Reasons given | 500 to 4,999 pounds | 5,000 to 24,999 pounds | 25,000 to 99,999 pounds | 100,000 pounds and over | Total |
|---|---|---|---|---|---|
| Summer busy with building trade | 10.2 | 18.3 | 12.3 | 24.4 | 65.2 |
| Summer repair work | 2.0 | | | 2.0 | 4.0 |
| Fall weather gives extra work | 4.1 | 4.1 | | | 8.2 |
| Hurricane season good | 2.0 | 4.1 | 8.2 | | 14.3 |
| Rainy weather good | 2.0 | | 6.1 | 2.0 | 10.1 |
| September to December is heavy | 4.1 | 6.1 | 10.2 | 4.1 | 24.5 |
| Winter months (tourist) bad | | 2.0 | 2.0 | 8.2 | 12.2 |
| Miscellaneous | 4.1 | 2.0 | | 4.1 | 10.2 |
| Don't know | 2.0 | | | | 2.0 |
| Total (49 interviews) | 30.5 | 36.6 | 38.8 | 44.8 | [1] 150.7 |

[1] Due to more than 1 reason given by some respondents.

BREAK-EVEN POINT—PERCENTAGEWISE

Question 5. "In terms of percent of capacity, what do you estimate your break-even point, i. e., lowest production upon which there is a profit?"

The answers to this question desclose that the break-even point of almost one-half of the Dade County aluminum industry is 65 percent of capacity or higher; i. e., that a substantial percentage of plants cannot be profitably operated if plant operation is reduced by as much as 35 percent of capacity.

Respondents in this category, 65 to 100 percent, column C, table 6, state that their business is wholly dependent upon aluminum.

The group classified in column A: 11.8 percent of the respondents who state their break-even point is 34 percent or under are companies of which aluminum fabrication is a production unit. They are not wholly dependent upon aluminum in arriving at break-even point in terms of profitable operation. This analysis explains the diversity in the figures in the separate groups.

TABLE 6.—*Showing in terms of percent of capacity break-even point*

| Group | 0 to 34 percent | 35 to 64 percent | 65 to 100 percent | Don't know |
|---|---|---|---|---|
| 500 to 4,999 pounds | 1.3 | 11.8 | 10.5 | 1.3 |
| 5,000 to 24,999 pounds | 3.9 | 9.2 | 14.6 | 1.3 |
| 25,000 to 99,999 pounds | 5.3 | 7.9 | 3.9 | |
| 100,000 pounds and over | 1.3 | 9.2 | 17.2 | 1.3 |
| Total (76 users, 100 percent) | 11.8 | 38.1 | 46.2 | 3.9 |

BREAK-EVEN POINT IN TERMS OF QUANTITY BY WEIGHT

To determine also the relationship between break-even point in terms of percent of capacity and break-even in terms of quantity of aluminum used and/or needed, the following question was asked:

Question 6. In terms of quantity by weight of aluminum used, what do you estimate your break-even point?

Analysis of the answers shows that 26.3 percent of the respondents in the 100,000 pound and over group state they need 100,000 or more pounds in order to break even in plant operation. This figure correlates with the 17.2 percent in the same group who, responding to the previous question (table 6), stated that their break-even point is 65 percent or over of plant capacity.

TABLE 7.—*Showing break-even point in terms of quantity by weight of aluminum used*

| Group | 500 to 4,999 pounds | 5,000 to 24,999 pounds | 25,000 to 99,999 pounds | 100,000 pounds and over | No answer |
|---|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 17.1 | 3.9 | 1.3 | | 2.6 |
| 5,000 to 24,999 pounds | | 17.1 | 6.6 | | 5.4 |
| 25,000 to 99,999 pounds | | | 9.2 | 6.6 | 1.3 |
| 100,000 pounds and over | | | | 26.3 | 2.6 |
| Total (76 users, 100 percent) | 17.1 | 21.0 | 17.1 | 32.9 | 11.9 |

COST ACCOUNTING RECORDS

To determine the validity of statements of fact with respect to quantities and/or estimates in questions 5 and 6, the industry was requested to answer:

Question 7: "Are the estimates in questions 5 and 6 based on cost accounting records?—Yes or No."

It is a remarkable tribute to an industry so young that 73.7 percent of the aluminum users keep cost-accounting records.

It is the best possible proof of the accuracy of the figures.

Of the remaining 21.1 percent whose figures were not based on cost-accounting records, further analysis shows that 37.4 percent—more than one-third of the "estimates"—were based on records of past operations.

The following is an analysis of the number of firms using cost accounting records as a basis for determining break-even point percentagewise of capacity and by volume, pounds of aluminum.

TABLE 8.—*Showing number of respondents basing replies to questions 5 and 6 on cost account records and/or other records*

| Group | Yes | No | No answer |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 18.4 | 5.3 | 1.3 |
| 5,000 to 24,999 pounds | 22.4 | 5.3 | 1.3 |
| 25,000 to 99,999 pounds | 14.5 | 1.3 | 1.3 |
| 100,000 pounds and over | 18.4 | 9.2 | 1.3 |
| Total (76 users, 100 percent) | 73.7 | 21.1 | 5.2 |

### Total Manufactured Output Dade County Aluminum Industry Absolutely Dependent Upon Aluminum

The industry was asked to state definitely:

Question 14: "What percentage of your total manufactured output is absolutely dependent upon aluminum?"

Table 9.—*Showing percentagewise total manufactured output absolutely dependent upon aluminum*

| Group | 0 to 25 percent | 26 to 50 percent | 51 to 75 percent | 76 to 99 percent | 100 percent | No answer |
|---|---|---|---|---|---|---|
| 500 to 4,999 pounds | 14.5 | 1.3 | 1.3 | 1.3 | 6.6 | ---- |
| 5,000 to 24,999 pounds | 7.9 | 2.7 | 1.3 | 2.6 | 13.2 | 1.3 |
| 25,000 to 99,999 pounds | 1.3 | 1.3 | 1.3 | 1.4 | 11.8 | ---- |
| 100,000 pounds and over | ---- | 1.3 | 1.3 | 5.2 | 21.1 | ---- |
| Total (76 users, 100 percent) | 23.7 | 6.6 | 5.2 | 10.5 | 52.7 | 1.3 |

Of the respondents, 52.7 percent stated that 100 percent of their business is wholly dependent upon aluminum. This explains again why 76.4 percent (table 10) would be no longer able to operate profitably under NPA Order M–7 and, therefore, that 73.7 percent persons would be unemployed.

### Aluminum Substitutes

Question 15: "What products that you now manufacture solely of aluminum can be manufactured of substitute products, such as wood, glass, ceramics, or any substance other than aluminum?"

*Respondents for 71.1 percent of the companies stated they could not use any other substance as a substitute for aluminum.* The significance of table 9 showing that 52.7 percent of the aluminum users state that their business is 100 percent dependent on aluminum and that 71.1 percent cannot use a substitute is evidence that the NPA Order M–7 will vitally and adversely affect them to its fullest extent.

### Effect of Impact of Cut of 35 Percent Upon Profitable Operation

#### Effect of cut to 65 percent of use in base period

Question 8: "Can you continue to operate profitably, producing exclusively the same type of products you now manufacture, if your supply of aluminum is cut to 65 percent of the quantity you used in the base period?"

More than three-quarters of the respondents (76.4 percent) stated they cannot operate profitably if their supply of aluminum is cut to 65 percent of the quantity used in the base period. Since 63.2 percent of the companies stated that they did not operate at 100 percent capacity during the base period, it is obvious that an allowance equivalent to 65 percent of the quantity they used in the base period would compel them to terminate their business.

Table 10.—*Showing number of aluminum users who can continue to operate profitably ("Yes") and who cannot continue ("No") if supply is cut to 65 percent of aluminum used in base period*

| Group | Yes | No |
|---|---|---|
| | *Percent* | *Percent* |
| 500 to 4,999 pounds | 10.5 | 14.5 |
| 5,000 to 24,999 pounds | 6.6 | 22.4 |
| 25,000 to 99,999 pounds | 2.6 | 14.5 |
| 100,000 pounds and over | 3.9 | 25.0 |
| Total (76 users, 100 percent) | 23.6 | 76.4 |

To determine the reasons for answers "Yes" and "No" in question 8 (table 10) the industry was asked to explain further.

Question 8a. If the answer was "Yes," for how long can you continue to operate?

In a majority of instances the companies which could continue to operate were those manufacturing other than aluminum products and were not entirely dependent upon aluminum. By reference to table 10, it will be observed it was the aluminum users in the lowest bracket (500 to 4,999 pounds) who stated they could continue to operate. Since these represent only 25 percent of the aluminum users reporting a statistical analysis of 2.75 percent of the entire industry is considered unnecessary.

If the answer to question 8 was "No," respondent was asked to outline briefly reasons why he would be unable to continue to operate.

TABLE 10a.—*Showing reasons given by respondents why they would not be able to operate under the impact of NPA Order M–7 upon their operations*

| Reason | Group | | | | |
|---|---|---|---|---|---|
| | 500–4,999 pounds | 5,000–24,999 pounds | 25,000–99,999 pounds | 100,000 pounds and over | Total |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| Special contracts require it as no stock can be kept | 3.4 | 6.8 | | | 10.2 |
| Shortage means no bids could be met | 3.4 | | | 1.7 | 5.1 |
| Cannot use substitutes | 3.4 | 3.4 | 5.2 | 3.4 | 15.4 |
| Base too low to allow plant to remain operating | 15.5 | 22.4 | 12.1 | 27.6 | 77.6 |
| Base period untrue indication of quantity used for year | | 3.4 | | | 3.4 |
| Will just break even | | 1.7 | 1.7 | 1.7 | 5.1 |
| Total (58 users, 100 percent) | | | | | [1] 116.8 |

[1] Adds to more than 100 percent because of more than 1 answer.

Of these respondents, 77.6 percent claim that they will be forced out of business because the base will be too low to allow the plant to operate. This seems to be the only significant reason given by the respondents.

## EFFECT OF ORDER M–7 UPON LABOR IN THE DADE COUNTY ALUMINUM INDUSTRY

### MIGRATION AND POSSIBILITIES OF CREATING DISTRESSED AREA IN LABOR

Manufacturing industries referred to in this section of the report are industries classified in accordance with Standard Industrial Classification Manual of the Bureau of the Budget.

As of September 1950, the estimated number of covered plant employees in manufacturing industries in Dade County within the above classification was 13,800.

The total number of employees in all classifications in the Dade County aluminum industry is 2,680 (table 11).

The number of plant employees in the Dade County aluminum industry as of the week of the 20th of November 1950 was 1,959.

This is 14.2 percent of the total number of covered plant employees in all industries in Dade County, including aluminum.

It may be assumed that percentagewise this figure would not substantially change if Florida State Employment Service estimates of plant employment in manufacturing industries in Dade County for November were available.

The effect of NPA Order M–7 will be to reduce the number of plant employees by 1,087.

Because of the limited number of allied type industries and job availability in those areas that are today handling the current phases of war production (aircraft, tanks, ordinance, etc.), a migration of labor so affected in the metropolitan Miami area by Order M–7 may well come to pass.

## EFFECT OF NPA ORDER M–7 UPON EMPLOYMENT

Question 9: "How many persons do you regularly employ?"

The total number of employees in the 76 plants is 2,680.

Table 11 shows employment in each group; table 11a plant employment in each group. Table 12 shows the reduction in number of employees due to impact of the effect of NPA Order M–7 upon employment in the aluminum industry

TABLE 11.—*Showing total employment in the aluminum industry, Dade County, Fla.*

| Group | 1–10 employees | 10–25 employees | 25–100 employees | 100 employees and over |
|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 17.2 | 5.3 | 2.6 | |
| 5,000 to 24,999 pounds | 11.8 | 5.3 | 10.5 | 1.3 |
| 25,000 to 99,999 pounds | 3.9 | 9.2 | 3.9 | |
| 100,000 pounds and over | | 3.9 | 19.8 | 5.3 |
| Total (76 users, 100 percent) | 32.9 | 23.7 | 36.8 | 6.6 |

TABLE 11a.—*Showing total number plant employees, aluminum industry, Dade County*

| Group | 1–4 employees | 5–14 employees | 15–50 employees | 50 employees and over |
|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 7.9 | 11.9 | 3.9 | 1.3 |
| 5,000 to 24,999 pounds | 3.9 | 11.9 | 10.5 | 2.6 |
| 25,000 to 99,999 pounds | | 7.9 | 9.2 | |
| 100,000 pounds and over | | 3.9 | 15.9 | 9.2 |
| Total (76 users, 100 percent) | 11.8 | 35.6 | 39.5 | 13.1 |

The largest percent, 36.8 percent, of the respondents stated that they employ 25–100 people in their company. The responses on the employment in distribution showed 62.5 percent have 1–4 employees, in the office 66.1 percent have 1–4 employees.

Question 10. "Will you be compelled to reduce the number of your employees when NPA Order M–7 becomes effective January 1, 1951?"

TABLE 12

| Group | Yes | No | No answer |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 9.2 | 15.8 | |
| 5,000 to 24,999 pounds | 18.5 | 6.6 | 3.9 |
| 25,000 to 99,999 pounds | 17.1 | | |
| 100,000 pounds and over | 28.9 | | |
| Total (76 users, 100 percent) | 73.7 | 22.4 | 3.9 |

The correlation in this table is self-evident.

Of the respondents 73.7 percent said they would be compelled to reduce the number of employees because 76.4 percent (table 10) said they could not continue to operate if the quantity of aluminum supply is reduced to 65 percent of the use in the base period.

TABLE 13.—*Showing reduction in number of employees by aluminum users*

| Group | 1–4 employees | 5–14 employees | 15–50 employees | 50 employees and over |
|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 7.1 | 3.6 | 1.8 | |
| 5,000 to 24,999 pounds | 12.5 | 10.7 | 3.6 | 1.8 |
| 25,000 to 99,999 pounds | 1.8 | 14.3 | 3.6 | |
| 100,000 pounds and over | | 14.3 | 19.5 | 5.4 |
| Total (56 users, 100 percent) | 21.4 | 42.9 | 28.5 | 7.2 |

Of the respondents, 42.9 percent say they will have to reduce the total number of employees by from 5 to 14. The reductions in plant, distribution, office, and others follow the same pattern as shown in table 13.

### Availability in National Emergency

Exhibit II is an inventory (excludes hand tools) of the presently available basic equipment owned and presently in use by the Dade County aluminum industry.

Examination of this inventory indicates ability of the industry to mass produce without basic equipment conversion box type units, curvilinear units, machined components, finished castings, etc.

Ability to manufacture the above (in addition to products already being manufactured) is not confined to one type. This is indicated by analysis in table 14 of answers to question 20: "What types of products, other than those you are already manufacturing, could you produce without basic equipment conversion?"

Table 14.—*Showing types of products (in addition to those already manufactured) and availability of Dade County aluminum industry to produce specified types without basic equipment conversion*

| Products | 500–4,999 pounds | 5,000–24,999 pounds | 25,000–99,999 pounds | 100,000 pounds and over | Total |
|---|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| Box type units | 9.2 | 17.1 | 10.5 | 21.1 | 57.9 |
| Curvilinear units | 7.9 | 2.6 | 3.9 | 6.6 | 21.0 |
| Machined components | 3.9 | 9.2 | 5.3 | 6.6 | 25.0 |
| Rough castings | 2.6 | 2.6 | 2.6 | | 7.8 |
| Finished castings | 1.3 | 3.9 | 2.6 | 1.3 | 9.1 |
| Other | 19.7 | 25.0 | 18.4 | 54.0 | 117.1 |
| No answer | 10.5 | 3.9 | | | 14.4 |
| Total (76 users) | | | | | 252.3 |

Of the industry 57.9 percent indicated they could meet the requirements in the first section of question 21: "Is there any special feature (peculiar adaptability) of your plant that you would be able to mass produce (the items analyzed in table 14)?"

Few respondents would venture to estimate quantities by type and average quantities per hour, stating (correctly) quantity was largely dependent upon specifications. Therefore, no analysis table of question 21 is included.

### Experience Record, Operations, During World War II

Question 17: "Were you in operation during World War II?" "Yes" or "No."

Table 15.—*Showing industry record if in operation during World War II*

| Group | Yes | No |
|---|---|---|
| | *Percent* | *Percent* |
| 500 to 4,999 pounds | 9.2 | 15.8 |
| 5,000 to 24,999 pounds | 14.5 | 14.5 |
| 25,000 to 99,999 pounds | 3.9 | 13.2 |
| 100,000 pounds and over | 10.6 | 18.3 |
| Total (76 users, 100 percent) | 38.2 | 61.8 |

Some 29 companies or 38.2 percent said they were in operation during World War II. The remaining 61.8 percent were not. Of those 29 companies, 86.2 percent said they manufactured products under Government specifications. This is analyzed in table 15a, in answer to, "If 'yes,' did you manufacture any products under Government specifications?"

TABLE 15a.—*Showing industry experience record in manufacturing under Government specifications*

| Group | Yes | No |
|---|---|---|
| | *Percent* | *Percent* |
| 500 to 4,999 pounds | 20.7 | 3.4 |
| 5,000 to 24,999 pounds | 31.0 | 7.0 |
| 25,000 to 99,999 pounds | 6.9 | 3.4 |
| 100,000 pounds and over | 27.6 | |
| Total (29 users, 100 percent) | 86.2 | 13.8 |

If the answer was "yes" to the question analyzed in table 15a, respondent was asked:

Question 17b: "Please state whether you manufactured nonferrous, ferrous, or other products during World War II." This question was answered by 25 users.

TABLE 15b.—*Showing number of concerns who have manufactured nonferrous or ferrous or other products under government specifications during World War II*

| Group | Nonferrous | Ferrous | Other |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 pounds | 5.9 | 11.8 | 5.9 |
| 5,000 to 24,999 pounds | 14.7 | 14.7 | 11.8 |
| 25,000 to 99,999 pounds | | 2.9 | 2.9 |
| 100,000 pounds and over | 5.9 | 8.8 | 14.7 |
| Total (25 users, 100 percent) | 26.5 | 38.2 | 35.3 |

## USE OF ENGINEERING STAFF

Question 16. Do you maintain an engineering staff?

TABLE 16.—*Showing maintenance of engineering staff*

| Group | Yes | No |
|---|---|---|
| | *Percent* | *Percent* |
| 500 to 4,999 | 10.5 | 14.5 |
| 5,000 to 24,999 | 13.1 | 15.8 |
| 25,000 to 99,999 | 7.9 | 9.2 |
| 100,000 and over | 22.4 | 6.6 |
| Total (76 plants, 100 percent) | 53.9 | 46.1 |

If "Yes," what is it?

TABLE 16a.—*Showing character of engineering staff employed in the industry*

| Group | Degree | No degree | Practical engineer | Other |
|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 12.2 | 2.4 | 2.4 | 2.4 |
| 5,000 to 24,999 | 9.8 | | 7.4 | 7.4 |
| 25,000 to 99,999 | 9.8 | 2.4 | 2.4 | |
| 100,000 and over | 34.1 | 2.4 | 4.9 | |
| Total (41 plants, 100 percent) | 65.9 | 7.2 | 17.1 | 9.8 |

A little more than half (53.9 percent) say they do maintain an engineering staff. Of these companies, 65.9 percent are graduate engineers and 17.1 percent are practical engineers.

### Inventory—Tooling

Inventory of machinery and equipment includes only the basic machinery contained in the industry. It does not include the thousands of hand tools that are available for immediate use, nor the many thousands of cubic feet of spray booths and drying ovens that are attendant equipment in the various plants surveyed; nor items that are readily acquired or can be made as the need arises.

Due to the relatively few respondents engaged in casting of aluminum and other nonferrous products, their equipment has not been included in the survey because such equipment would be outstanding and possibly related to other phases of the survey—a procedure which would be in conflict with accepted practices in reports of this type.

Complete inventory of all equipment will be disclosed to authorized Government agencies by Market Research & Surveys, Inc.

### TOOLING

Nearly 70 percent (69.7 percent) of the industry is equipped to make its own tooling. Thirty percent (30.3 percent) purchase their tooling from local machine shops and/or local distributors for large out-of-State manufacturers.

Including machine shops making tooling for the Dade County aluminum industry, there are 19 sources of such supply.

To determine the ability of the industry to do its own tooling the industry was asked Question 22: "Are you equipped to make your own tooling?"—and if the answer was "yes"—"What percent is done in your own shop?"

For analysis of response, see following page.

Table 17.—*Showing number of aluminum users doing their own tooling and percentagewise tooling done in their own plants*

| Group | Tooling | | Jigs | | Fixtures | |
|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 15.8 | 9.2 | 17.1 | 7.9 | 15.8 | 9.3 |
| 5,000 to 24,999 | 18.4 | 10.5 | 23.7 | 5.3 | 23.6 | 5.3 |
| 25,000 to 99,999 | 11.8 | 5.3 | 14.5 | 2.6 | 13.2 | 3.9 |
| 100,000 and over | 23.7 | 5.3 | 25.0 | 3.9 | 25.0 | 3.9 |
| Total (76 users, 100 percent) | 69.7 | 30.3 | 80.3 | 19.7 | 77.6 | 22.4 |

Table 20a.—*Breakdown of tooling facilities*

| Group | Tooling | | | | Jigs | | | | Fixtures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 to 25 percent | 26 to 50 percent | 51 to 75 percent | 76 to 100 percent | 0 to 25 percent | 26 to 50 percent | 51 to 75 percent | 76 to 100 percent | 0 to 25 percent | 26 to 50 percent | 51 to 75 percent | 76 to 100 percent |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 3.8 | 3.8 | 1.9 | 13.2 | 1.6 | 1.6 | ..... | 18.0 | 1.7 | ..... | 1.7 | 16.9 |
| 5,000 to 24,999 | 1.9 | 1.9 | 1.9 | 20.7 | ..... | 1.6 | ..... | 27.9 | 1.7 | ..... | ..... | 28.9 |
| 25,000 to 99,999 | 1.9 | 3.8 | ..... | 11.3 | ..... | ..... | ..... | 18.0 | ..... | ..... | ..... | 16.9 |
| 100,000 and over | 5.6 | 9.4 | 1.9 | 17.0 | 1.6 | 3.4 | 3.3 | 23.0 | 3.4 | 1.7 | 1.7 | 25.4 |
| Total | 13.2 | 18.9 | 5.7 | 62.2 | 3.2 | 6.6 | 3.3 | 86.9 | 6.8 | 1.7 | 3.4 | 88.1 |

### USES OF ALUMINUM IN SOUTH FLORIDA

Aluminum has a high resistance to corrosion. In south Florida, the relative humidity, rainfall, and other factors incident to corrosion are high. Resistance of aluminum has become widely recognized, particularly in the building industry. Windows, jalousies (louvers), ornamental outdoor metal work and outdoor fur-

niture, are in such great demand that a substantial percentage of the output of aluminum products fabricated in Dade County are used in the building and related industries. This is evidenced by—

(*a*) The types of aluminum purchased by users from prime suppliers shown in table 18.

(*b*) The percentage of louvered doors, windows, thresholds, window awnings and storm shutters, ornamental work and indoor and outdoor furniture listed in table 19.

It is further evidenced by the quantities used in the manufacture of jalousies (louvers) and doors manufactured of which aluminum is a component part listed in table 20. Twenty-five percent of the total manufactures of which aluminum is a component part consist entirely of glass jalousies and doors.

Question 11: "What types of aluminum do you use?"

TABLE 18.—*Showing by types quantities purchased from prime suppliers*

| Types of aluminum | 500 to 4,999 | 5,000 to 24,999 | 25,000 to 99,999 | 100,000 and over | Total |
|---|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| Bar | 13.2 | 13.2 | 6.6 | 17.0 | 50.0 |
| Rod | 5.3 | 7.9 | 5.3 | 18.3 | 36.8 |
| Sheet | 18.4 | 22.4 | 11.9 | 23.6 | 76.3 |
| Other extruded types | 9.2 | 14.5 | 7.9 | 19.7 | 51.3 |
| Other [1] | 13.2 | 18.4 | 10.5 | 25.0 | 67.1 |
| Total (76 plants) | | | | | 281.5 |

[1] Includes pipe, cast, pig, tubing, slab, scrap, ingot, etc.

Question 12: "Please list all products you manufacture solely of aluminum."

TABLE 19

| Product: | *Percent of total* |
|---|---|
| Air conditioning and ducts | 7.9 |
| Aircraft and allied fabrication | 6.6 |
| Aluminum framing mouldings | 1.3 |
| Aluminum screen (fabrication and assembly) | 7.9 |
| Cabinets | 1.3 |
| Castings | 2.6 |
| Experimental and development | 1.3 |
| Indoor and outdoor furniture | 6.6 |
| Ladders | 2.6 |
| Louvered doors, windows, and thresholds [1] | 59.2 |
| Ornamental work (railings, trim, trellis, etc.) | 10.5 |
| Orthopedic appliances | 3.9 |
| Store fronts | 3.9 |
| Trailers (doors and windows) | 2.6 |
| Window awning and storm shutters | 23.6 |
| Wire pipe | 1.3 |
| None | 11.8 |
| Total (76 plants) | [2] 154.9 |

[1] A commonly accepted term for louver is jalousie.

[2] Figures add to more than 100 percent because more than one product was mentioned by some respondents.

Question 13: "Pleast list any other products you manufacture of which aluminum is a component part."

TABLE 20

| Product: | Percent |
|---|---|
| Air conditioning and ducts | 2.6 |
| Aircraft and parts | 2.6 |
| Aluminum die work | 1.3 |
| Chairs and tables | 3.9 |
| Castings | 1.3 |
| Containers | 1.3 |
| Doors | 9.2 |
| Farm products | 1.3 |
| Glass jalousies | 15.8 |
| Ornamental iron | 6.6 |
| Screens | 3.9 |
| Store fixtures and fronts | 5.3 |
| Storm shields | 3.9 |
| Miscellaneous | 1.3 |
| None | 53.9 |
| Total (76 plants) | [1]114.2 |

[1] Some respondents listed more than 1 product.

## MISCELLANEOUS, PLANT AREA, RAILROAD SIDING FACILITIES, AND SECURITY

### SIZE OF PLANT AND YARD AREA

To determine size of plants operated by aluminum users, the industry was asked question 24, "What is your present plant area?" and question 25, "What is your present yard area?"

The combined covered plant area is 1,929,251 square feet.

TABLE 21.—*Showing in square feet size of plants and separately, size of yards in each group*

| Size (square feet) | Plant | Yard |
|---|---|---|
| | *Percent* | *Percent* |
| 0 to 4,999 | 32.9 | 46.1 |
| 5,000 to 9,999 | 23.7 | 17.1 |
| 10,000 to 24,999 | 23.7 | 18.4 |
| 25,000 to 99,999 | 14.5 | 10.5 |
| 100,000 and over | 3.9 | 6.6 |
| No answer | 1.3 | 1.3 |
| Total (76 plants, 76 yards) | 100.0 | 100.0 |

### RAILROAD SIDING

Question 26 inquired whether there were railroad siding facilities.

TABLE 22.—*Showing number of plants with railroad sidings*

| Group | Yes | No | No answer |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 1.3 | 23.7 | |
| 5,000 to 24,999 | 5.3 | 22.4 | 1.3 |
| 25,000 to 99,999 | 2.6 | 14.5 | |
| 100,000 and over | 17.1 | 11.8 | |
| Total (76 plants, 100 percent) | 26.3 | 72.4 | 1.3 |

SECURITY

Questions 27 and 28 referred to security—whether the property was fenced—guarded and the percentage of noncitizens of the United States employed in all plants.

TABLE 23.—*Showing number of plants fenced and/or with guard*

| Group | Fence | Guard | None |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 2.4 | 3.7 | 17.1 |
| 5,000 to 24,999 | 6.1 | 9.7 | 13.4 |
| 25,000 to 99,999 | 2.4 | 3.7 | 10.9 |
| 100,000 and over | 12.3 | 8.5 | 9.8 |
| Total (76 plants, 100 percent) | 23.2 | 25.6 | 51.2 |

CITIZENSHIP

TABLE 24.—*Showing percentage citizen and alien employees*

| Group | Yes | No | No answer |
|---|---|---|---|
| | *Percent* | *Percent* | *Percent* |
| 500 to 4,999 | 22.4 | 1.3 | 1.3 |
| 5,000 to 24,999 | 28.9 | | |
| 25,000 to 99,999 | 15.8 | 1.3 | |
| 100,000 and over | 23.7 | 5.3 | |
| Total (76 plants, 100 percent) | 90.8 | 7.9 | 1.3 |

## GEOGRAPHIC IMPORTANCE OF MIAMI IN WAR EMERGENCY

So many reasons can be advanced for the continuing development of Miami as a potential war center that, if included, they would go far beyond the intended scope of this report.

Salient features which support such development can be found in recent activities of commercial enterprises based on features extant in the area.

Such features include—

The temperate climate which promotes increased work efficiency (estimated by industrial engineers to be 20 percent higher than areas subject to extremes in temperature).

The decentralization of the industrial shopping and residential areas; and anticipated freedom from bombing in the event of all-out war.

The following is an extract from a letter to the Munitions Board from the Research and Business Services Division, Miami Chamber of Commerce: "Miami is at least equidistant from the shores of any known aggressor and is located in the most remote position, should a bomb run be attempted."

This statement was based upon maps compiled for the purpose by National Airlines, Miami.

This decentralization follows the original concept promoted by the Munitions Board during its early stages of the education of industry; the Board has published booklets pointing out the need for decentralization of industry based upon the realization that during World War II allied bombers were capable of totally destroying large segments of industry through saturation and/or precision bombing in Europe.

Northern industrialists are continually seeking information regarding industrial possibilities in the metropolitan Miami area.

This industrial trend is emphasized by reference to the November edition of Manufacturers' Record. For the first 7 months of 1950, the dollar value of total productivity for the United States was 3 percent higher than for the same period a year ago.

The South Atlantic dollar value of total productivity in the same period was 5 percent.

Florida led the entire South in dollar value of total productivity for the same period with a 12-percent gain over a year ago.

Also indicative of this trend is the recent removal of Pan American Airways repair facilities to Miami because of around-the-clock and year-round operations in the area.

Industrial plants in the Miami area do not require large heating plants. This means lower costs and faster building.

Since heating and/or insulation and/or air conditioning is unnecessary, quarters for an increased supply of workers can be very rapidly constructed in the best traditions of the American standard of living.

With the available raw material and well-equipped concrete block plants, large facilities can be built in a minimum time. Past records of building support this statement.

In this latitude there is 1 hour more light during the winter time than in the latitude of Washington, D. C. Although power facilities are ample, this points to less drain on available power supplies.

Electric-utility service in the Miami area is furnished from Florida Power & Light Co.'s interconnected transmission system. Four major generating stations of this system are located in or near the city of Miami, with total capability of 303,000 kilowatts.

There is a vast reservoir of experienced skilled and unskilled industrial labor in the area, attracted by employment opportunities and labor formerly employed in other areas now retired and living permanently in south Florida.

During World War II the Air Transport Command operated very successfully out of Miami bases supplying the West Coast of Africa, the interior of Africa, and on to the Burma-India area. This suggests the possibility of greatly reduced overland transportation within continental limits of the United States, if items intended for use outside of the continental limits and sent by air transport to those locations are made in Miami or in adjacent territory.

If barracks, pontoons, drop tanks, and other matériel are to be made of aluminum and in such manner that they may be nested and flown to destination, it is necessary only to utilize or increase the present capacity of Miami plants and/or add additional plants to fabricate the necessary matériel. In most cases, this will necessitate only the installation of some additional heavy-duty press equipment. Most of the other necessary facilities are already available or could be made available with great rapidity.

## EXHIBIT I

### DADE COUNTY ALUMINUM BOARD CONFIDENTIAL QUESTIONNAIRE

Commencing January 1, 1951, the National Production Authority has forbidden manufacturers to use in each calendar quarter more than 65 percent of the average quarterly use by weight of aluminum in the base period: January 1–June 30, 1950.

1. What was the total quantity of aluminum by weight in pounds used in your plant in the base period January 1–June 30, 1950? _____ pounds.

2. Did your plant operate at 100 percent capacity during the entire 6 months of the base period (January 1–June 30, 1950)? Yes _____ No _____ Partly _____.

(*a*) If "No", at what percent of capacity did you operate? _____ percent.

(*b*) If "Partly", what months were at capacity? _____

(*c*) For those months not at capacity, what was the percent? _____ percent.

3. Is your percent of plant operation affected by seasonal changes? Yes _____ No _____.

If "Yes", please explain briefly. _____

4. If you do not use the same quantity of aluminum in each month of the year, please estimate quantity you use by months.

| | *Pounds* | | *Pounds* |
|---|---|---|---|
| January | | July | |
| February | | August | |
| March | | September | |
| April | | October | |
| May | | November | |
| June | | December | |

NOTE.—Total estimates January to June should be approximately the same as the answer to question 1.

5. In terms of percent of capacity, what do you estimate your "break-even" point, i. e., lowest production upon which there is a profit? ------ percent.

6. In terms of quantity by weight of aluminum used, what do you estimate your "break-even" point? ---------- pounds.

7. Are the estimates in questions 5 and 6 based on cost-accounting records? Yes ------ No ------

If "No," what is your base used to estimate these figures? ----------

8. Can you continue to operate profitably, producing exclusively the same type of products you now manufacture, if your supply of aluminum is cut to 65 percent of the quantity you used in the base period? Yes ------ No ------

(*a*) If "Yes," for how long? ----------

(*b*) If "No," please outline briefly reasons why you will be unable to continue to operate. ----------

---

9. How many persons do you regularly employ?

In your plant ---------- ------
In distribution ---------- ------
Office staff ---------- ------
Other (if any) ---------- ------

10. Will you be compelled to reduce the number of your employees when NPA Order M–7 becomes effective January 1, 1951? Yes ------ No ------

11. If "Yes," by how many? ------

Reduction in—

Plant employees ---------- ------
Distribution employees ---------- ------
Office staff ---------- ------
Other (if any) ---------- ------

What types of aluminum do you use? Bar ------ Rod ------ Sheet ------ Other extruded types ------ Other (specify) ----------

12. Please list all products you manufacture solely of aluminum. ----------

---

13. Please list any other products you manufacture of which aluminum is a component part. ----------

---

14. What percentage of your total manufactured output is absolutely dependent on aluminum? ------ percent.

15. What products that you now manufacture solely of aluminum can be manufactured of substitute products, such as wood, glass, ceramics or any substance other than aluminum? Please list ----------

---

16. Do you maintain an engineering staff? Yes ------ No ------

If "Yes", of what does it consist (please include qualifications)? ----------

---

17. Were you in operation during World War II? Yes ------ No ------

(*a*) If "Yes", did you manufacture any products under Government specifications? Yes ------ No ------

(*b*) If "Yes", in 17 (*a*) please state whether you manufactured nonferrous, ferrous, or other products. Nonferrous ------ Ferrous ------ Other (specify) ----------

18. Please list all products you manufactured under Government specifications.

---

19. If the answer to 17 (*a*) was "No", ask, "Will you please state whether you have ever manufactured any products elsewhere than Dade County under Government specifications?" Yes _____ No _____
If "Yes", where? _____ When? _____
Please list type of products you have manufactured elsewhere than Dade County under Government specifications_____

---

20. What types of products, other than those you are already manufacturing, could you produce without basic equipment conversion? (Suggestions) Box-type units _____ Curvilinear units (such as drop tanks for airplanes) _____ Machined components _____ Rough castings _____ Finished castings_____ Other (specify) _____

21. Is there any special feature (particular adaptability) of your plant that would enable you to immediately mass-produce any of the following items? Please also include estimate of average quantity based on capacity and equipment in plant.

Box-type units_____average quantity per hour_____ _____
Curvilinear units_____do_____ _____
Machined components_____do_____ _____
Rough castings_____do_____ _____
Finished castings_____do_____ _____
Other_____do_____ _____

22. Are you equipped to make your own tooling? Yes _____. No _____.
Jigs? Yes _____. No _____. Fixtures? Yes _____. No _____.
If "Yes," what percent is done in your own shop? Tools _____ percent. Jigs _____ percent. Fixtures _____ percent.

23. If you buy all or part of your tooling from a separate concern (or concerns), from whom do you buy? Name _____, address _____;
(2) name _____, address _____.

24. What is your present plant area? _____ square feet.

25. What is your present yard area? _____ square feet.

26. Railroad siding? Yes _____. No _____.

27. Security? Fence _____. Guard _____.

28. Are all your employees citizens of the United States? Yes _____. No _____.
If "No," what percent are aliens? _____ percent.

ATTACH EQUIPMENT INVENTORY

Information supplied by _____
Title _____
Name of company _____
Address _____ Telephone _____
Interviewed by _____ Date _____

EXHIBIT II

SUMMARIZED INVENTORY

*Machinery and equipment in 76 manufacturing plants, Dade County aluminum industry (excludes hand tools)*

| | |
|---|---|
| Forming and punch presses: | |
| Up to and including 5-ton | 162 |
| 6- to 10-ton | 57 |
| 11- to 20-ton | 54 |
| 21- to 50-ton | 43 |
| Over 50-ton | 15 |
| Capacity unknown | 52 |
| Total | 383 |
| Milling and shaping: | |
| Milling machines | 58 |
| Rolling mill | 8 |
| Rolls | 21 |
| Shaping machines | 28 |
| Total | 115 |
| Cutting: | |
| Cut-off equipment (special) | 24 |
| Saws (band and cut-off) | 107 |
| Shears | 56 |
| Slitting | 4 |
| Total | 191 |
| Bending and straightening: | |
| Bar bend (folder) | 9 |
| Press brakes | 81 |
| Straighteners | 2 |
| Tube bender | 9 |
| Total | 101 |
| Welding: | |
| Electric (including gas arc) | 77 |
| Miscellaneous | 13 |
| Oxy-acetylene | 57 |
| Spot | 11 |
| Total | 158 |
| Drilling and tapping: | |
| Drill press | 225 |
| Gang drills (multipe spindle) | 8 |
| Tappers | 9 |
| Total | 242 |
| Riveting: Riveters (all types except hand) | 76 |
| Turning: | |
| Lathe | 70 |
| Screw machine | 17 |
| Turret lathe | 9 |
| Total | 96 |
| Grinding and finishing: | |
| Buffers | 9 |
| Filing | 8 |
| Grinders | 104 |
| Tumblers | 3 |
| Total | 124 |
| Grand total | 1,486 |

## STATEMENT OF BRANT MAYNARD, MIAMI WINDOW CORP., MIAMI, FLA.

Mr. MAYNARD. Frankly, the full statement which we are standing on is what you have there. I would like to make an announcement at this time that in Dade County, down in Florida, we are at war with anybody that wants to fight the United States, and we feel that there is no time to lose in trying to get into a defense program. We don't know yet who we are supposed to clear with. If you will look through the brochure there, you will find it takes up 76 companies down our way, of which we are one. We have been down in Miami for 5 years. I am more or less a fugitive from Alabama, and came there after the war. That was a low blow; wasn't it, Senator? [Laughter.]

Senator HUNT. It might be of interest to the chairman to know where you vote.

Mr. MAYNARD. I vote in Florida, sir.

The CHAIRMAN. I want to say we didn't "fugitive" him. He went of his own accord.

Senator THYE. While we have had this little diversion here, Mr. Maynard, has anyone questioned you concerning what your ability is

as to defense work. Have they appraised your plant from the standpoint of how you can convert to war-industries activity?

Mr. MAYNARD. No, Senator; they have not.

Senator THYE. You have had no questionnaire?

Mr. MAYNARD. We did not receive one. We took it on ourselves, starting last August; we had some of our couriers out and they brought back word we were going to have war; so we said we had better get ready. We started this thing, and it actually came to a head with all manufacturers in Dade County using aluminum. Everybody says how large they are. We are not too large, except myself; and, if the war is not too long, I would live through it, but I have two skinny partners who will want some food.

Last year we used 20,000,000 pounds of aluminum, the 76 companies. We used approximately 2,600,000 pounds ourselves. It is a company which was started 5 years ago, approximately, and the way we got started was through the return of myself and two other fellows to Florida after the war. I am a veteran from the Ninth Air Force; and, until I took on some of this weight, I flew a few planes for them.

But, back to this thing here, first I would like to thank you gentlemen in behalf of the fellows who preceded me here, because we feel you are concerned about our problem. We know you have shown every interest possible to make us feel that you want to see us get through this emergency. I want to thank also Mr. Henderson and the rest of your staff, because they have been very helpful to us. We had a meeting last night trying to get up something that would be constructive.

It is obvious we are very thirsty for knowledge, but we are also aware of the fact there is only 4 quarts to the gallon, and you cannot keep pouring the water out unless you have something to draw it from.

We do not want to criticize. It is so easy to criticize; to me, it is a sign of weakness. We would rather not criticize. But we do feel like there are three or four things that should be brought to your attention to reiterate what the boys had already spoken about before I came to the table here. One of them is that the big-business allocation is not in proportion to the small business. Now, it is obvious that the big businesses have been established longer than we have. We are not here to pick a bone with the big business; but, by the same token, a business of our size, and of the short duration which we have been in business, precluded us from taking into consideration exactly what we were going to do with Korea. We were concerned about competitors, and not world conditions. We did not discuss any sort of emergency program, nor have we thought for any moment that the Government itself had some sort of secret file and emergency program that would say, "The Russians are walking down Biscayne Boulevard in Miami. Here is your plan, get busy." We are not that naive; I will tell you that much now. The dislocation of industry itself is obvious. All these small businesses are definitely going to have to be taken into consideration in a most positive action. They are going to have to have some relief now. Otherwise, there is going to be hardship on the employees; and, like Brother Darby said before I came on, he has 200 families there who have cultivated the habit of eating, and it will work a hardship on them.

I think one important thing is the fact that it is going to lay waste from nonuse the plants which are going to be available for actual work

in the defense program. We are not going to be able to use those, they will fall by the wayside, the employees will have to find some sort of work elsewhere, and for that reason they are not going to be able to keep them intact. Of course, some single-purpose machines, like the venetian blinds, are going to have to be casualties of war unless we can come up with something a lot more constructive.

I think that Mr. Travis brought up one thing. We are not affected so much that way because we feel after the first of April we will be out of business, and we are going fishing. It is going to be an awful close thing, but to have a business that has an inventory, and not be able to use him, and get him out so he will be available, but rather have it long drawn-out, seems to be a very awkward system, about as awkward as I would sit on a saw.

It is my suggestion that we do operate, those who can, at a survival level until the reappraisal has taken place, the reappraisal of needs and availability of supplies. Dad used to say that figures would not lie, but liars will certainly figure. I have a wealth of things here, some of it from various and sundry branches of the Government and, believe me, I have not been able to find two that say two and two is four and they both agree on it.

Now, we do know we are at war, and we think the Munitions Board has a terrific job to do. We know Mr. Bell and Mr. Lynch there have a job on their own. They are in a position where they are one of those dirty names if they do, and they are a dirty name if they do not; but it looks like we could come together by some method and have a more equitable basis to work from than we have at the present time.

That is a vague and general statement, but I am sure the intelligence of all gentlemen concerned there could come up with some sort of an answer to help us.

Those are the things which I think are vital to all of us. We are all in the same boat, and we are anxious to survive.

The CHAIRMAN. Thank you very much, Mr. Maynard.

Are there any questions?

Senator THYE. I have none.

Senator HENDRICKSON. I have none.

The CHAIRMAN. Mr. Richard Reynolds, president of Reynolds Metals Co. We are glad to have you with us, Mr. Reynolds.

Mr. REYNOLDS. Thank you, Mr. Chairman.

The CHAIRMAN. You just proceed in your own way.

## STATEMENT OF RICHARD REYNOLDS, PRESIDENT OF REYNOLDS METALS CO.

Mr. REYNOLDS. I have a long statement here that I may be able to shorten.

The CHAIRMAN. It will be published in full in the record, and you just proceed.

Mr. REYNOLDS. Would 15 minutes be too much, or shall I shorten it?

The CHAIRMAN. No, that is all right.

Mr. REYNOLDS. My name is Richard S. Reynolds, Jr., president of the Reynolds Metals Co.

I am pleased to see that your committee is looking into the problem of material shortages which seriously affects the small manufacturers in the aluminum industry. As I will point out later, this industry

has expanded most dramatically since World War II. This expansion naturally would have been impossible if the United States producers had not stepped up their output. But that was not enough. It would have been just as impossible if thousands of small manufacturers in this country, along with the larger ones, had not used aluminum for parts and products which had previously been made of other metals or materials. More production quickly in the United States is the only answer to aluminum-uses problems, large and small. This can be done.

All of these manufacturers constitute the markets, and the only markets, for the bulk of the aluminum produced by Reynolds Metals Co. and the other United States producers. Consequently, as we in Reynolds Metals see it, this committee's efforts on behalf of the small aluminum manufacturers will help us maintain the markets and outlets which we have been trying so hard to develop since the end of World War II. I am, therefore, grateful for this opportunity to participate in these hearings and to explain what Reynolds Metals Co. has done, is doing, and will do about the aluminum shortage.

Our company's own experiences make us very much aware of how serious the plight of an aluminum manufacturer can be when he finds he cannot get enough metal. Reynolds Metals became an aluminum manufacturer 25 years ago, back in 1926, when we began to roll aluminum foil. Some years later we started to roll sheet and rod too. For 15 years, until 1941, we were entirely dependent on outside sources for all of our metal.

It was as a fabricator faced with the problem of keeping its plants in operation and its workers employed that we began to plan producing some of our own requirements. In 1939 and 1940, the situation became impossible for us. With the war in Europe cutting off foreign supplies and the war demand in this country rising sharply, we felt that there should be much more capacity expansion in this country than was taking place. Unable to persuade others to undertake this further expansion, Reynolds Metals decided in the summer of 1940 to supply some of that needed capacity itself. Bauxite and power had to be obtained, as well as financing for the new plants. But by May 18, 1941, we were in production, becoming this country's first indepent source of aluminum. We have been producing aluminum ever since then.

Before leaving that phase of our development, I would like to make clear one point which is often misunderstood—the extent to which the Government financed these initial producing plants. Reynolds Metals had to borrow the funds required. The risk involved, since there had been but one producer in this country for over half a century, made it extremely difficult to interest private banking interests.

Consequently, we turned to the RFC. Our initial loan was $15,800,000, but to finance further expansion as requested by the Government, subsequent loans increased our RFC indebtedness to $46,000,000. These were regular commercial loans, bearing interest at 4 percent. We had to give the RFC a first mortgage on all of our plants, the fabricating plants we already owned, as well as the producing facilities to be built. Therefore, at all times, the RFC loans have been fully collateralized.

It turned out to be a pretty good loan for the RFC. In all, we borrowed $46,000,000 from the RFC and still owe $29,200,000. But,

although our indebtedness has been reduced only $16,800,000, we have paid $105,103,000 to the Federal Government in principal, interest, rentals, and income taxes. Here is the breakdown:

| | | |
|---|---|---|
| 1. Total of loans from the RFC | | $46,000,000 |
| 2. Repayments of principal | $16,800,000 | |
| Repayments of interest | 13,303,000 | |
| Total of principal and interest | | 30,103,000 |
| 3. Other payments to Federal Government resulting from these loans: | | |
| Rentals on leased plants | 25,000,000 | |
| Federal income taxes from the time of initial loan through 1949 | 50,000,000 | |
| Total of other payments | | 75,000,000 |
| Total Government receipts from Reynolds Metals made possible by these loans | | 105,103,000 |
| Balance still owed on RFC loans | | 29,200,000 |

From the very start, we have been very bullish about the future of aluminum. As a new producer, we recognized that our survival, as well as our growth, depended on rapid and large-scale development of new markets, as well as the enlargement of already established markets for aluminum. To achieve those conditions, the supply of aluminum had to grow as fast or faster than the markets and an aggressive policy of market development and promotion had to be pursued. Reynolds did all it could on both scores.

Here is our production record: Our first full year of primary production, in 1942, amounted to 57,500 tons. During World War II our peak was 82,000 tons. With the leasing of Government war plants in 1946 and their purchase in 1949, we have been able to step up our output each year since the war, from 93,500 tons in 1946 to 216,500 tons in 1950. New capacity now being installed will increase the rate of output to 250,000 tons a year by July 1951, and to 325,000 tons in 1952. In short, our production now is almost three times as great as it was at the peak of World War II, and next year we will reach a production rate four times as great.

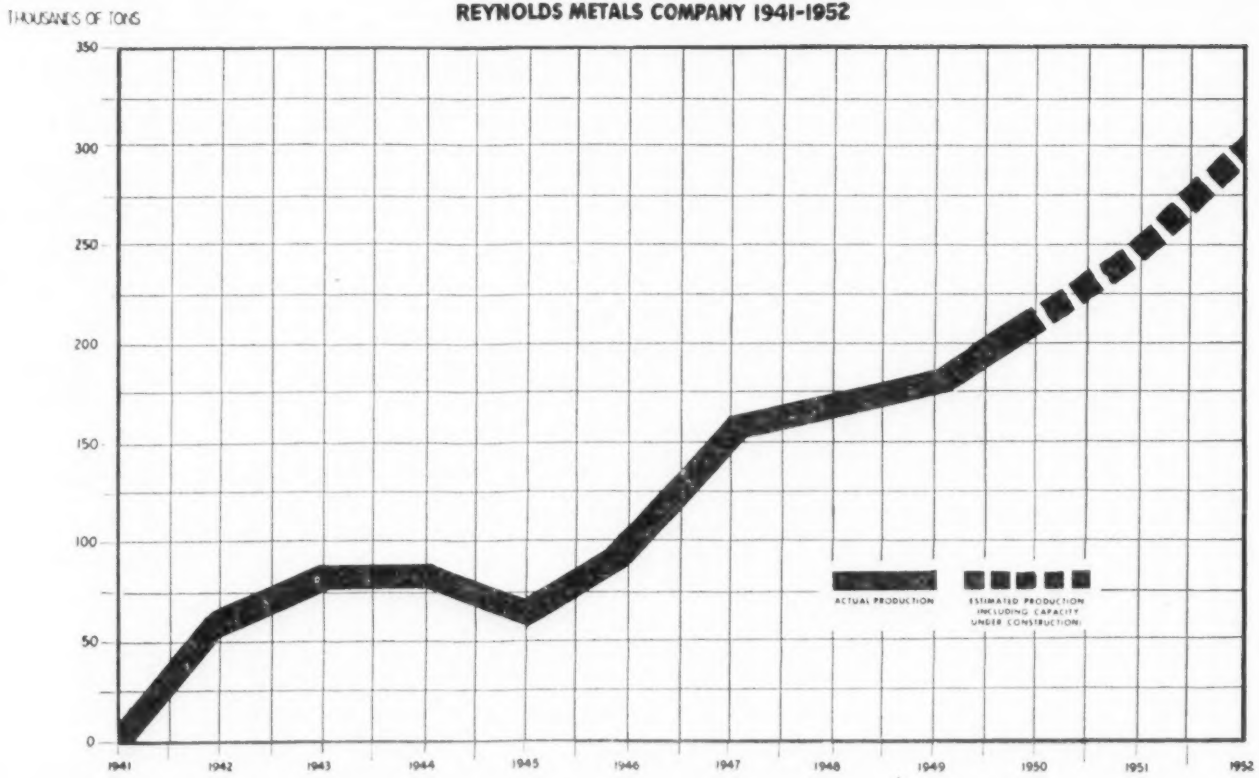
Here is a chart illustrating the figures I have just read out, showing our production since we began, and the expected expansion are the broken lines.

The three United States aluminum producers are turning out almost five times as much aluminum as was produced in 1939, 750,000 tons now as compared with 163,500 tons annually at that time. The supply of no other metal in this country has shown a comparable increase during the past decade or since World War II.

The shortage problem facing us now is, therefore, not a result of any shrinkage in production, but rather because the demand is now even greater than the very much expanded supply.

The most important reason for the growth in the demand for aluminum by all types of enterprise, small, medium, and big, is the relatively low price which has been maintained by the aluminum industry of this country. Just before World War II, the base price of aluminum was 20 cents a pound. Although costs were rising and there was a seller's market, the price dropped to 15 cents during 1941,

## PRIMARY ALUMINUM PRODUCTION
### REYNOLDS METALS COMPANY 1941-1952



the first year of our operations as an independent producer. It then dropped to 14 cents where it stayed until long after the war. Transportation and wage increases and the cost of other materials have made it necessary to raise the price somewhat to the present level of 18 cents, which is still 10 percent below the 1939 price. By comparison, the Government index of industrial raw materials prices shows that the whole group has risen 275 percent above 1939. In the metal field, the copper price today is 120 percent above 1939, lead is 240 percent higher, zinc 230 percent higher, and steel is 65 percent higher. Again this compares to the 10 percent lower price of aluminum, and the chart on the board shows the relative prices of other metals and aluminum.

With aluminum relatively cheaper than ever before, especially as against other metals, many small manufacturers began to use aluminum after the war. But price alone was not enough There had to be a considerable amount of pioneering and risk-taking in the development of large-volume markets We, as a producer, had to do much of that spade work Right after the war we began to make and to try and sell aluminum roofing and siding. It required considerable selling by the entire industry, including small manufacturers, through a large sales force, advertising and technical literature, to persuade jobbers and dealers to carry aluminum roofing and siding and, eventually, other building materials, including windows.

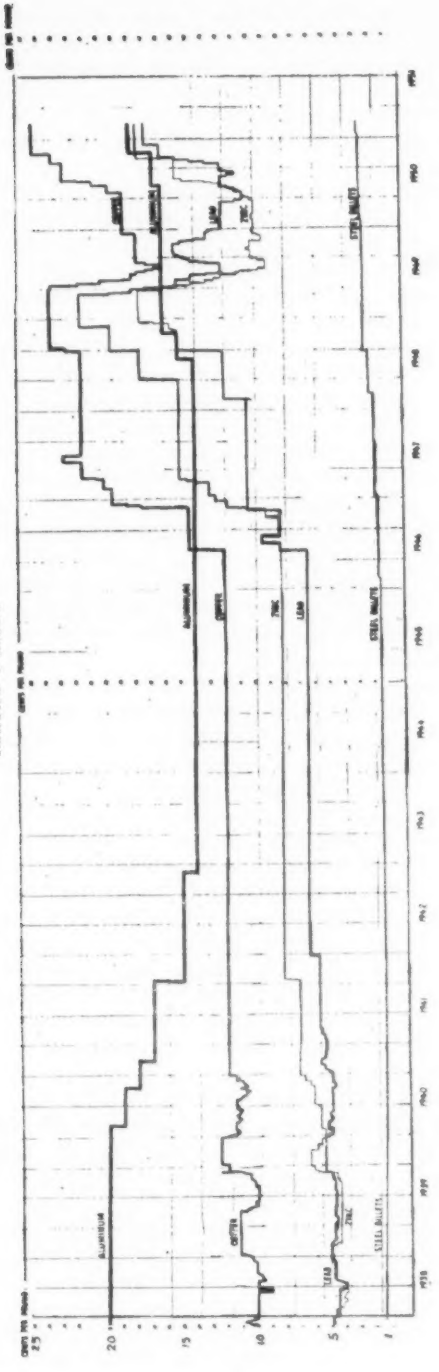
As the advantages of aluminum as a building material became better known, others entered the field and today there are hundreds of small manufacturers and thousands of jobbers and dealers making and selling all types of aluminum building materials, including not only roofing and siding, but also windows, storm windows, rain-carrying equipment, insulation and doors. An excellent job is being done by this large group in producing and selling these aluminum building products.

In many instances, this market development work was costly. However, although it cut our profits at the time, we saw it as a long-term investment in the future markets for aluminum. At one time, to show how effectively aluminum could be used in refrigerators and deep-freeze units, we made some deep freeze units ourselves. That operation was never profitable but it did help to show the refrigeration industry what could be done. Consequently, we abandoned the manufacture of the finished product and now sell mill products or component parts formed out of aluminum to the manufacturers of refrigerators and deep-freeze units.

Reynolds Metals is guilty, therefore, of having done its share to stimulate the demand to its present proportions by virtue of its price policy and its postwar efforts to promote new uses and create larger markets.

Naturally, having put our time, money, and aluminum into the development of these markets, we are anxious to do everything possible to prevent their destruction. We are convinced that shortages, such as those facing us today, undermine all the good market development work which has been done in the industry, by the manufacturers and producers alike. There is no question in our mind about the urgent need for avoiding these shortages if at all possible and, when they do come, of the necessity for ending them as rapidly

METAL PRICES



as possible. All the salesmanship in the world is not going to persuade a small manufacturer, or a large one for that matter, to use aluminum, if he has to run the risk of being starved for aluminum every other year. We have this particularly pointed out to us in the automobile industry where they were making engineering changes on a permanent basis to aluminum and had to stop because of the shortage.

Reynolds Metals did what it could to prevent this shortage and is doing all it can to end it. As early as May 1947, we saw the possibility of sudden large military demands causing a shortage. So we urged the Munitions Board, through the Industry Advisory Committee, to stockpile aluminum. At that time there was an oversupply of metal on the United States market, much more than the manufacturers could use or the producers could sell. Our inventories were piling up to the point where we would have to cut production. The aluminum-producing process is a continuous one, 24 hours a day, 365 days a year. A shut-down is extremely costly and wasteful of materials and, because of power contract limitations, once a plant is shut down it must stay shut for a considerable period of time.

Our plea for stockpiling in times of plenty went unheeded and we had to shut down our 60,000,000-pound plant at Longview, Wash., in June 1947.

Again in October 1947, the subcommittee on aluminum production of the Industry Advisory Committee recommended to the Munitions Board that it stockpile aluminum. No action was taken on this recommendation.

A third attempt to get stockpiling against future military demands was made in September 1949, when aluminum supply again exceeded the demand. At that time, Reynolds Metals and Kaiser Aluminum offered the Munitions Board 150,000,000 pounds of aluminum a year for the stockpile. Again, nothing was done.

All these efforts to get as much stockpiling done in 1947 and 1949, when there was extra aluminum, failed. Instead, it is now necessary for the Government to set aside large quantities of aluminum for the stockpile, aggravating an already bad shortage situation.

As I have already shown, all through this period Reynolds Metals kept on increasing its output. It was the first to lease Government war plants in 1946 and to put them back into production. And, although there were periods when it was hard to dispose of our production, we were confident that the trend would continue upward. In 1949, we therefore bought the Government plants which we had previously leased.

In 1950, with the civilian demand on the rise and the prospects of war coming ever closer, here is what Reynolds Metals Co. has done:

1. We brought into production 36,000 tons of capacity which had been idle pending the completion of new power facilities by the Arkansas Power & Light Co.

2. We purchased idle Government equipment which is making it possible for us to expand the capacity of our Arkansas and Oregon plants by 27,000 tons. All of this new capacity will be in production by July of this year.

3. We have made the necessary arrangements to build a new plant in southern Texas with a capacity of 75,000 tons annually. It is expected to be in production in 12 to 18 months.

As a result of these measures, Reynolds Metals' production has increased during the past year from 16,500 tons in January 1950, to a current monthly rate of 20,500 tons, or 24 percent. By July 1951, production will be 22,000 tons a month, 33 percent more than last January. The new Texas plant will enable us to produce 28,250 tons a month in 1952, or 71 percent more than in January 1950.

The CHAIRMAN. Mr. Reynolds, let me apologize for breaking in right here, but I am going to have to leave. I have an engagement that I feel that I must keep.

I would like to ask just a few questions before I go, if I may, and then I will turn it over to Senator Hunt, Senator Thye and Senator Hendrickson to continue as they see fit, and to complete the hearing today.

Without objection, the remainder of the testimony will be inserted in the record as though read.

Mr. REYNOLDS. Today's aluminum shortage and its impact on the small manufacturer cannot be fully understood without taking into account the influence of the Aluminum Co. of Canada on the supply situation here. The Senate Small Business Committee wisely recognized, back in 1945, that what the Aluminum Co. of Canada did affected us here. At that time, it held hearings on the future of light metals with reference to interests of small business. Nineteen days of hearings were conducted by the committee, five of them devoted entirely to the Aluminum Co. of Canada.

As was brought out at that time, a secret deal had been made early in World War II, whereby the United States Government helped materially in the financing of a vast aluminum expansion in Canada—the Shipshaw-Arvida development. This was done before any Government war financing was made available for United States expansion and, as it later developed on terms far more favorable than those made available at any time to the United States producers. Because of this special treatment, the Aluminum Co. of Canada came out of the war the largest and lowest cost producer in the world.

The Shipshaw-Arvida development during World War II is partly responsible for the present shortage in this country. First of all, as was clearly established before your committee in 1945, that expansion could have taken place in the United States instead of up in Quebec. What a different picture it would be if the World War II Shipshaw deal had been halted in time and equivalent facilities had been built here. This extra capacity would be operating on the same basis as all other aluminum plants in this country: primarily to supply the United States market, both defense and civilian. The fabricators and small business of this country would not be faced with the shortage which confronts them today. And the Government would have received millions in extra tax revenue during and since World War II.

At best, the United States market has had to play second fiddle to the British as far as access to Canadian aluminum is concerned. Right up to date, what is shipped here depends on what is left over after the British take all that they want. Consequently, the flow of aluminum into this country from Canada has been extremely erratic, much too uneven to constitute a dependable source of supply for independent United States manufacturers. Not only have the exports to the United States gone way up and way down from month to

month since the end of the war but, in addition, the bulk of these Canadian exports went to the largest single producer and fabricator in this country.

The experience of the United States Government itself, when it recently tried to get aluminum for the military stockpile to meet the current war crisis, indicates how uncertain is the supply of Canadian aluminum to this country. In August 1950, the Aluminum Co. of Canada offered 35,000 tons for 1951 delivery, provided 3-year commitments to buy much larger amounts were made. Still anxious to get all the aluminum it could in 1951 from Canada, in October 1950, the United States Government asked for an extension of the offer from the October 12 deadline to October 31. The Aluminum Co. of Canada reported to our purchasing officials that it would have to cut the 1951 delivery from 35,000 tons to 20,000 tons. But in December, 2 months later, it was publicly announced that the Aluminum Co. of Canada had increased its 1951 commitments to the British by 50,000 tons, 15,000 tons more than it offered in August and 30,000 tons more than its peak commitment in October to the United States Government.

This preference for the British is basic Canadian policy. The aluminum shortage here is far worse than it is in Britain. The best proof is the fact that British metal, in ingot, sheet and rod is being offered to United States manufacturers at exhorbitant prices 50 to 75 percent above those charged by United States producers. A January 19 trade press report from London reads as follows:

> As far as new metal is concerned the basic position has not changed in any way just recently and although fairly substantial supplies are available to fabricators the demand for fabricated products is much in excess of what can be produced with the raw material available, so that extended delivery delays are the rule for practically all the types of products at the present time (American Metal Market, January 24, 1951).

There is no surplus anywhere, but they are not as hard pressed as United States manufacturers are for metal to keep going.

In Canada, too, civilian supplies of aluminum are far more plentiful than they are here. Household foil, the Reynolds Wrap, which we put on the market here and on which we spent millions in market development and sales promotion, became a favorite among the housewives of the United States. Now they cannot get it and much of our development work is wasted. However, here is a New York Times report from Detroit, dated January 21, about Americans going to Canada to get scarce groceries:

> Although the Americans who cross the border confine their purchases chiefly to meats they also find many items that are disappearing from groceries in Detroit, such as aluminum foil.

Although Britain is much more Government-control-minded than our country, it has not found it necessary to have a priority system or limitation orders on aluminum such as we have here, indicating that their situation is not as tight as ours. Neither has Canada any such controls or limitations on the civilian use of aluminum.

Another important postwar effect of the Arvida-Shipshaw expansion in Canada is that it has been a continuous threat to the independent producers of this country, making it that much more difficult for them to expand their own capacity. Judge Knox, in his decision of June 2, 1950, in the aluminum antitrust case, stated that the Canadian

company's "competitive position constitutes a potential limitation on the growth and stability of both Reynolds and Kaiser" and later added that its potential power "may constitute a hazard of utmost danger to the competitive efforts of Reynolds and Kaiser." Unquestionably, today's shortage would not be with us, or would be much milder, if the Canadian Shipshaw deal had not been made. If equivalent capacity had been built here, it would be operating at capacity primarily for United States needs. If it had not been built at all, there would undoubtedly have been still greater expansion in the United States.

The most striking example of how the Aluminum Co. of Canada affects expansion and production in the United States is the chain of events since last August. At that time, there was another attempt at a secret Shipshaw deal, strikingly parallel to the original one of 1941. In August 1950, as in March 1941, the first move was to get a large order from the United States Government, extending over a period of years, which would delay United States expansion. Not until that offer in August by the Canadians was brought out in the open and properly appraised, did the United States producers get a chance to negotiate for large-scale capacity expansion.

Now there seems to be some consideration being given to still further expansion and, with nothing to lose and world domination of the aluminum market to gain, the Aluminum Co. of Canada is trying to get the United States Government to help it build a vast 1,600,000 horsepower hydroelectric system and a 550,000-ton aluminum center in the uppermost corner of British Columbia, near Alaska.

Again, if a Canadian deal is made, it will be at the expense of capacity expansion here. And the postwar effects of the Shipshaw deal of World War II have proven that such a deal is not the way to get aluminum supplies for the small manufacturer.

Unquestionably, it was the development of competition in the production of aluminum within the United States which made it safe and attractive for the small manufacturer to use aluminum. That is why, with three United States sources available to him after the war, the number of manufacturers using aluminum rose to 17,000. Canadian expansion can only weaken competition here, jeopardizing the small manufacturers' domestic sources of supply.

Another important consideration is the determination of the Canadian and British Governments to export finished aluminum products to the United States and other markets, in competition with United States manufacturers, regardless of whether they are big or small. Canada already has 1,000 fabricators. Affiliated companies of the Canadian producer have been expanding their manufacturing facilities in Canada and elsewhere throughout the world. Each year, more of Canada's production is being fabricated within the system of companies, or by other Canadian and British companies. Smaller and smaller shares of output are available for United States manufacturers in ingot form. In Canada, aluminum ingot is quoted "for home consumption," apparently to restrict buyers from taking it out of the country in that form.

The Wall Street Journal reported on December 28 that scarce aluminum parts are being offered by Canadian fabricators to the motor industry in this country, if they will supply Canada with the fabricating equipment. In short, they have the aluminum but want

to sell it in fabricated form even though they lack the necessary equipment. Meanwhile, plants here—able to fabricate—are starved for aluminum.

The retiring president of the Bank of Toronto told his shareholders on January 18:

> If we are to grow in size and economic strength we must, in my opinion, intensify these efforts. For instance, our production of aluminum in the world is second only to that of the United States. In 1949 about 83 percent of our aluminum was exported in ingot form, the balance being retained for Canadian manufacturers for home and export markets. We exported over $9,000,000 in finished aluminum, but we imported almost $8,000,000 worth of aluminum products.
>
> What is indicated seems to be a drive for a bigger share of our own market, plus a determined program of expansion in the export field. When one thinks of the millions of inhabitants of Africa, the Near East, India, Asia, and South America who can absorb finished goods made of aluminum, such a project has almost unlimited merit. Naturally because we have so much more than we need ourselves it is likely that there will be substantial sharing of raw materials for many years ahead. The point is that to obtain maximum benefit we must accelerate our efforts to manufacture finished goods, and to find markets everywhere in the world for them.
>
> Aluminum serves as an illustration for copper, zinc, and lead. In all these metals only a small fraction is kept in Canada for the use and profit of our own people. We have advantages in production at every stage—slightly lower labor costs, cheaper power, and a gain on transportation and handling costs. It must be borne in mind that the return on finished goods is from two to four times more per pound than it is on the raw material.

The Montreal Gazette editorially approved this approach, declaring "there is a great deal of practical merit in Mr. Carson's views."

If national security requires it, then we are ready to expand still further. We have long advocated a policy designed to anticipate military needs. Back in February 1948, when the Finletter report Survival in the Air Age was issued and a 70-group Air Force was being discussed, my father warned that the supply of aluminum should be planned ahead. He said then:

> A long-range plan would inform the aluminum industry as to how much aluminum is needed, when, and in what form, early enough to enable it to plan the production and fabrication much more efficiently and economically than is possible with only short-term orders from plane manufacturers.

In September 1948 we submitted to the Munitions Board and other military agencies a brochure on Mobilizing the Aluminum Industry, in which we estimated a capacity deficit of over 1,000,000 tons of capacity for mobilization needs and again urged planned expansion on an economical basis. And I have already outlined our more recent efforts to expand capacity.

When we heard that the United States Government might assist the Aluminum Co. of Canada to finance the British Columbia development, we wired Secretary of Commerce Sawyer and NPA Administrator Harrison as follows:

DECEMBER 29, 1950.

HON. CHARLES SAWYER,
*Secretary of Commerce,*
*Washington, D. C.*

HON. WILLIAM H. HARRISON,
*Administrator, National Production Authority,*
*Department of Commerce Building, Washington, D. C.*

It is difficult for me to believe recent newspaper stories to the effect that you are considering an arrangement whereby Aluminum Co. of Canada will build huge aluminum-producing facilities only 1,600 miles from Russian bases in Siberia to begin production 3 or 4 years hence, particularly since Reynolds Metals Co. and

other United States aluminum producers originally offered to construct facilities capable of far greater production than those now planned but were held to the lesser program on the ground that funds are not available to finance larger program. Reynolds Metals Co. will, if the Government wishes it, more than double its now planned expansion. We can better the Canadian company's time of construction, at less cost, in a less vulnerable location and under conditions more favorable to the national economy after the present emergency.

R. S. REYNOLDS, Jr.,
*President, Reynolds Metals Co.*

The only response to our offer was the followimg telegram from Mr. Harrison:

DECEMBER 30, 1950.

Mr. R. S. REYNOLDS, Jr.,
*President, Reynolds Metals Co.,*
*Richmond, Va.:*

The views expressed in your telegram of December 29 will be kept in mind in connection with consideration of additional supplies of aluminum.

WILLIAM H. HARRISON,
*Administrator, National Production Authority.*

Our World War II experience was that delayed aluminum capacity expansion was the most costly and least useful. In this connection, I would like to read a few paragraphs from our September 1948 brochure, Mobilizing the Aluminum Industry.

The three World War II "war baby" plants (Maspeth, N. Y.; Burlington, N.J.; and Riverbank, Calif.) were not only the last to go into production but also among the first to be shut down in 1944. Not a single one of them has operated since then. The largest of them has been converted to a Navy warehouse and can never be used to produce aluminum again. By contrast, every other plant built for World War II which had a permanent and economical power supply is operating at capacity today. Instead of being a war loss to the Government, they are a peacetime source of rentals and taxes, and a source of essential materials for American industry.

The proper planning of new aluminum-producing facilities for military production and war mobilization brings still another major advantage to the Nation. Because the aluminum industry is far from its zenith, every ton of new capacity can be used profitably after the present crisis is over. If it is built so that it can produce aluminum economically, the new plant cuts the cost of the military program and also assures itself of continued operation when real peace returns.

Only advanced planning and early construction can create multipurpose aluminum plants—ready for the demands of war mobilization and economical to operate in time of peace too. This is by far the cheapest way to provide the additional aluminum required to meet the demands of war mobilization.

Reynolds Metals Co. is ready now to go ahead with whatever expansion the Government wants it to undertake. We are confident that the aluminum industry of the United States can expand as required for national security. There is no need yet to become increasingly dependent on foreign sources which cannot possibly serve our country's needs in peace or war, as adequately as plants within the United States can serve us.

Your committee is assisting in the mobilization of the aluminum industry by making every effort to keep this country's skilled workers in small manufacturing plants in readiness for military production. The President's goal of 50,000 planes a year and other equipment will require the full utilization of the men and machines in these plants. In addition, the long-term markets for the expanding output of the United States producers will be dangerously small if these small manufacturers are compelled to turn to other materials. We are, therefore, anxious that a satisfactory solution to this problem be found. Back in 1945 the hearings conducted by the Senate Small Business Com-

mittee greatly strengthened and improved the Government's plant-disposal program. I am confident that these hearings will be equally beneficial in helping the Government and the aluminum industry to solve the problem of the current shortage.

The CHAIRMAN. First let me say with reference to what you have said about stockpiling, of course as you know I can bear testimony to the very diligent effort that you and your people exercised back in 1947, and at other times in behalf of stockpiling, because as you will recall, we discussed it on many different occasions, and we know, too, of the utter futility of your efforts at that time.

As you say now, as a result of our having failed to stockpile it then, now when it is so tight, we are stockpiling, and making it even worse for these many small businesses who have built up their business on the use of aluminum, many of whom have been encouraged and helped by your company and other producing companies, I presume.

Now, you are just getting into the Canadian situation—I have already read your paper—I wish I might be here to interrogate you some about it, and particularly about the proposal to build a new plant up there. I recall, too, the manner in which your company went about its job way back in 1940, I believe it was, to get into the field of aluminum production. I know something of the difficulty that you incurred at that time, because then we were told that we did not need any additional aluminum. My recollection is we had a total production of 800,000,000 pounds a year.

Mr. REYNOLDS. Three hundred and twenty-nine.

The CHAIRMAN. Later it was increased to 800,000,000, and then to 1,600,000,000, or something like that.

Now, today do you think we need an increased capacity?

Mr. REYNOLDS. We were sold out on civilian production—I mean we sold out all the American aluminum being sold before the Korean War, so we are short by at least as much as the Government needs.

The CHAIRMAN. You started off in a tight situation?

Mr. REYNOLDS. Yes, sir; so whatever the Government needs, we are at least that much short. Whatever they are going to take for the defense effort, or war, we are at least that much short.

The CHAIRMAN. It takes from 9 to 12 months to put a plant into production.

Mr. REYNOLDS. It takes from a year to 2 years, now, with defense priorities.

The CHAIRMAN. You built that one in Alabama, in 6 months, as I recall.

Mr. REYNOLDS. The power was available at that time through TVA. Now it would necessitate the construction of new power plants, either hydro, or power based on coal or gas, but the power plants in any case have to be constructed if you are going to have any sizable increase in aluminum production. That is the longest period. It takes longer to put a power plant in than it does an aluminum plant.

The CHAIRMAN. Now, I want to ask you about one other thing. I know, too, of some of the active interest that your company has taken in stimulating the use of aluminum for various civilian uses, and in encouraging small companies all through the country to go into processing, fabricating aluminum. What do you see ahead for these small businesses that you have encouraged to get into this work?

Mr. REYNOLDS. Well, of course if we have the limitation order, some of them may be eliminated completely, at least we expect that certain parts of our production will be completely eliminated. Take, for illustration, our Reynolds Wrap, a kitchen foil to cook in and wrap things up in the ice box, and so on. We spent 3 or 4 million dollars developing it, got it all over the country, and we are surprised at the wide acceptance it did get. That is going to be eliminated completely. There are a number of manufacturers doing the same thing. Those people will be out entirely. That is one I happened to think about. There may be others that when the order comes will be eliminated entirely. If not, if they give them 30 to 40 percent, they will probably lose money with a slow debt. Either way it is an imposition.

The only way is more production, and as quick as possible.

The CHAIRMAN. What is your policy with reference to the fabricators whom you have been supplying in the past, are you distributing whatever amount may be available equitably?

Mr. REYNOLDS. We are trying to distribute it on the basis of their past uses. Now, we have gotten a lot of complaints that we have not done that, but every time we get one, we try to check up to see that we have. That has been the policy of the company insofar as possible, where we are free to do it, to base it on the purchases that that company made in a prior period.

The CHAIRMAN. Now, you not only produce aluminum, but you also do considerable fabricating, do you not?

Mr. REYNOLDS. Yes, sir; we are primarily fabricators. We went into the aluminum business to get a source of raw material.

The CHAIRMAN. Yes, I remember that; and in borrowing your money from the Government, you pledged all of your fabricating plants to get the original loan.

Mr. REYNOLDS. Yes.

The CHAIRMAN. What I wanted to ask was this: Assuming that you will have to close down, or convert your own fabricating plants, or some of them, I assume that it would be your hope and desire and plan to take defense contracts of various kinds?

Mr. REYNOLDS. Yes; we are doing that now. They are not coming in fast enough.

The CHAIRMAN. No; of course you get that lag in there.

Mr. REYNOLDS. That is right.

The CHAIRMAN. But there will most likely be considerable subcontracting of some of those products. Now, is it your plan to try to channel those subcontracts into these small fabricating businesses just as fast as you can?

Mr. REYNOLDS. We have set up a department in what is called our parts division, where we have very large presses, and all sorts of rolling equipment where we fabricate. We feel that we could fabricate the parts, and ship them out to any number of smaller businesses to assemble where there is a lot of hand labor, a lot of supervision and a lot of work, whereas we could do the mass production, and then ship it out to these people to put the finishing touches where labor and hand work come into the picture. They wouldn't have to make an investment in this heavy and expensive equipment.

We are doing that under a rocket-fin assembly program, and we intend as we get other orders to continue it, and get set up to operate our plant as a mass-production plant and send it out, either we take

the contract or they take it, it doesn't make any difference to us which way it is handled, but we will do the mass production and send it out to them for assembly, painting, or whatnot.

The CHAIRMAN. In other words, you do have their problem in mind?

Mr. REYNOLDS. It is to our advantage to do that, too.

The CHAIRMAN. Now, in connection with this additional production that is needed, you are willing to work with the Government in obtaining additional capacity?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Do you believe it ought to be done in this country rather than in Canada?

Mr. REYNOLDS. Yes, sir; you bet. That is the cause of all the trouble right now, in our opinion.

Senator THYE. Will you elaborate on that?

Mr. REYNOLDS. I would like it very much if the Senator will let me.

The CHAIRMAN. He has that more fully treated in his statement.

Senator THYE. In the event he has elaborated on that, in the report, he could ask to have the rest of the report printed in full, and we probably would save the time of reading further.

Mr. REYNOLDS. All right, sir.

The CHAIRMAN. Mr. Reynolds, I want to apologize to you and to Mr. Wilmot of the Aluminum Co. of America, and Mr. Rhoades of Kaiser Aluminum Co., that I am not going to be here and hear the rest of the testimony. I have an appointment that I must keep.

I am going to ask Senator Hunt, Senator Thye, and Senator Hendrickson to proceed. Those are all the questions I wanted to ask Mr. Reynolds.

Senator THYE. I was hoping that we could move on by having this printed in full, if he would explain his stand on that Canadian point as I have to leave shortly after 1 o'clock and I would like to hear what the other gentlemen have to say.

Mr. REYNOLDS. You want me just to try to explain our position?

The CHAIRMAN. Or perhaps respond to questions.

Mr. REYNOLDS. All right, sir.

Senator THYE. I would like to have you expand your idea on the Canadian situation.

Mr. REYNOLDS. During the last war our Government was of great assistance toward building up the Canadian aluminum production to the largest and cheapest in the world, through firm orders, cash down payments, advance payments, and escalator clauses. That production was supposed to be, as we were told in the industry at that time, or at least our company was told by people in the Government, that that was hemisphere defense, that that metal would always be available to the United States in time of need, and it was just the same as if it were in this country.

Well, our Government hasn't been able, apparently, to get any from the Canadian company at this time unless they will give them a long-term contract which would enable them to start building a plant up in British Columbia, or to extend their operation.

If those facilities which could have been built in the United States, and were built in Canada, had been built here, then our shortage problem would be a great deal less than it is today. We would have had, say, 800,000,000 more pounds for this country rather than it

being in large part, over half the production, I think, going to the British and the sterling block of countries.

Now, we feel that if they take the Canadian and built another plant, they are saying in effect, "Well, we will sell it to England, but if you fellows will build us another plant, or help us, then we will get you some for your stockpile." That is the layman's way of explaining a complicated situation the way we see it. The other plant during the last war was built for the purpose of hemisphere defense or have joint stockpiles or let Canadians stockpile aluminum while we stockpile everything else. They have not done any of those things, and our Government up to now has not been able to get it, whereas the British and other countries have been able to get stepped-up supplies.

Senator THYE. And has some gone to Red China?

Mr. REYNOLDS. Yes; it was published in their own export journals.

Senator HUNT. And to Russia, too?

Mr. REYNOLDS. They shipped as light as when our Government was trying to get it. Briefly that is our position. Of course where they propose to locate it is the closest place to Russian bombing of any strategic plant, and of course it would take 5 years, it would take a great deal of material, and so forth, to get it. It is up in British Columbia, about 1,600 miles from Russian bases, where I understand we do not have as good air protection as we have on the west coast, where half of our American production is, the balance being scattered all over the United States.

Here is a map that came out in Los Angeles, which shows which way air attacks would come, and they pass right over the spot where that new plant would be located.

Certainly to help the defense effort in the next 4 or 5 years, this would not do anything but take good materials away from the United States. It is roughly 6,700 miles from British and Dutch Guiana up to British Columbia by sea, with the submarines having a shot all the way up at the raw materials going up to British Columbia, which can only be shipped in by water, and then when the metal is manufactured, it has to be shipped back down another 1,500 miles to where it can be used, so from a defense angle, at least the layman's view, it would not be much help to this war.

Senator HUNT. Senator Hendrickson?

Senator HENDRICKSON. I have no questions.

Senator HUNT. Mr. Reynolds, who owns this Canadian company? Is any owner of American aluminum companies interested in that Canadian company?

Mr. REYNOLDS. Well, as the Department of Justice trial brought out, I think there are 11 American stockholders which own the majority of stock in the Canadian company and the Aluminum Co. of America, or did.

Senator HUNT. What is the source of your raw material, where do you get your bauxite?

Mr. REYNOLDS. We have two sources. Right now it is all coming from Arkansas. We have developed reserves in Jamaica and in Haiti, which we expect to begin to use in 1952.

Senator HUNT. What do you know about the use of anorthosite?

Mr. REYNOLDS. I do not know anything about it, except so far it has been too costly to be competitive.

Senator HUNT. Costly in what way, in mining or processing?

Mr. REYNOLDS. I think costly in processing.

Senator HUNT. But if the submarines shut off your future supply, and your present supply becomes exhausted, what are you looking to as the future source of raw material?

Mr. REYNOLDS. We will have to have defense to get the submarines on a long-term basis.

Senator HUNT. You would not explore or go into the use of this anorthosite?

Mr. REYNOLDS. This is just my own personal opinion. I think it is easier and cheaper to protect the sea lanes, from Jamaica to the United States, than it would be to try to develop the use of these low-grade ores.

Senator HUNT. What work have you done on these low-grade ores?

Mr. REYNOLDS. We have not done any except low-grade bauxite we have worked on. We use a very low-grade ore now; what used to be considered waste material is now exactly what we are using in the plant, and I do think that, over a period of years, the art will be such that new types of ore and lower-grade ore will be used.

Senator THYE. Mr. Chairman, I would like to ask a question of Mr. Reynolds.

Are you conducting any research in the new processes or developments of the low-grade ore?

Mr. REYNOLDS. No, sir.

Senator THYE. You are doing nothing in that field?

Mr. REYNOLDS. Except, I repeat, low-grade bauxite.

Senator THYE. As to any raw ingredients that could be processed into aluminum, are you proceeding with any research in that field, or are you just taking what is available and proceeding with that?

Mr. REYNOLDS. Let me explain again. We are continually using lower-grade ores, which takes research to do, but to go so far as to use some of the ores, clays, for instance, we are not doing that, but we are using lower-grade bauxite all the time.

Senator THYE. Do you think the Government should enter into that research field to see if it could be developed?

Mr. REYNOLDS. That question was asked, and as I recall, we recommended, our company recommended against it, and I think the other two producers did. We thought it was better to try to obtain larger supplies of bauxite, than to search and explore. Our company is exploring and looking for bauxite rather than trying to use the low-grade ores. We are doing it in Arkansas, we have been able to step up our reserves every year in the State of Arkansas above our uses. We feel that certainly as a company it is better to explore for bauxite deposits that we know we can use until those are completely exhausted, and then try these lower grades. That is just our thinking. Maybe the thing to do is to start experiments on these other types of materials, but our opinion is that we should explore for more bauxite.

Senator HUNT. Mr. Reynolds, is it the opinion of the aluminum companies that we should just simply build up enough supply to meet the emergency situation, and then following this war allow new development, new plants, of which we developed four following World War II that have all gone by the board but one, and the Government does not seem disposed to do anything about that one—is it your thinking we should just try to meet our current need, and then go

back to production that would not meet the fifth world war, should there be one?

Mr. REYNOLDS. If we had any knowledge of what they need, I could answer that question better, Senator. We do not know what the need is going to be.

Senator HUNT. Have you had any defense orders as yet?

Mr. REYNOLDS. Yes, sir; we have had a number of defense orders. About a third of our production—well, it is some-odd percent of our total production in poundage is going into defense work.

Senator HUNT. There is no need crying about water that is over the dam, but you are in the position you are in, and so are the other gentlemen who have appeared here this morning, primarily because the Munitions Board just simply could not see as far as across the table, is that not right?

Mr. REYNOLDS. Well, I am not speaking of the present Munitions Board as it is constituted now, but certainly the Munitions Board, as far as the aluminum industry is concerned, was very negative-minded all during the period from the end of the war up until this last change.

Senator HUNT. And there were some commodities, of which they had 72 on their proposed list, some other commodities which are in a good deal worse position than aluminum. For instance, we have not actually, as yet, gotten them to see the light that it does take wool to make uniforms to put on a soldier's back.

Do you have any questions?

Senator THYE. No, thank you.

Senator HUNT. Thank you, Mr. Reynolds.

The next witness is Mr. Wilmot, accompanied by Mr. Wilson. Which one will be the spokesman?

Mr. WILSON. Mr. Wilmot will. I will be glad to answer any questions which may be put.

Senator HUNT. I will remind you that the hour is getting late.

## STATEMENT OF DONAVAN WILMOT, VICE PRESIDENT OF THE ALUMINUM CO. OF AMERICA, ACCOMPANIED BY MR. WILSON

Mr. WILMOT. I shall make every attempt to be brief.

We have submitted a long statement, but if I may, I will read from a condensed version of that statement.

First may I say that we welcome the opportunity to submit information on aluminum at this hearing.

Throughout its entire history, Alcoa has primarily been a supplier of aluminum in the form of pig and ingot and in the form of mill products, such as sheet, plate, foil, wire, rod, bar, tube, extrusions, forgings, and castings. Alcoa makes relatively few finished products in aluminum, preferring to leave this field to the many manufacturers of finished products in the country, both small and large. Its constant endeavor has been to help and encourage such manufacturers in the use of aluminum in every way possible. Alcoa's hope has always been that the small users of aluminum will multiply in number and increase in size, because then their need for Alcoa's products increases and both benefit.

During the past 5 years, the number of customers buying aluminum products directly from Alcoa has averaged between nine and ten

thousand annually. Of this number, approximately 85 percent account for only 10 percent of Alcoa's business, so it is obvious that the major selling expense and effort are expended to cultivate the small manufacturer. The building principle in Alcoa's sales philosophy has always been that "the small purchasers of today are the major customers of tomorrow."

As is well known to everyone, the aluminum industry was expanded greatly in order to meet the military requirements for World War II. It was widely predicted by almost everyone that aluminum would figuratively "be running out of our ears" in the postwar period. Alcoa shared this general apprehension over the ability to develop increased uses of aluminum in sufficient volume to permit reasonably full utilization of the expanded facilities and at the same time absorb the enormous quantities of war-generated scrap. New markets for aluminum products, or any other products, for that matter, are not created overnight. This meant that every sales effort and incentive would have to be exercised to get all kinds of businesses, big or small, to use more aluminum than they ever had before and to find new people to try it. Here, briefly, are some of the things Alcoa did to expand aluminum sales:

1. It kept prices for all products as low as possible in order to create new uses and to influence permanent substitutions of aluminum for older and traditionally established metals and materials. At the end of the war, for example, aluminum pig was selling for 14 cents per pound and ingot for 15 cents. These prices were maintained for three full years despite sharp rises in costs and prices of competing materials. Constantly increasing costs of materials, labor, and transportation finally forced the company to raise the prices of pig and ingot over the past 2 years until they are currently 18 and 19 cents per pound, respectively. But despite these necessary increases, today's price for ingot is still 5 percent below the 20-cent price in effect in 1939. By comparison, official statistics issued by the United States Department of labor show that wholesale prices of "all commodities," as of December 26, 1950, were 228.2 percent of their average in 1939.

2. The company greatly increased its front-line sales force and opened a number of new offices at strategic points in order to have the necessary manpower required to "beat the bushes for orders" and provide the best possible service to customers. By 1950 Alcoa had nearly 60 percent more salesmen than it had in 1940, and was operating from 17 additional office locations.

3. More than 25 years ago, Alcoa established a division to provide customers with engineering service, and after World War II this division was rapidly expanded. The services of its specialized engineers are available without charge to any manufacturer who is interested in developing a new product or improving an old product by the utilization of aluminum in whole or in part. These experienced men have acquired practical knowledge of the characteristics and special nature of aluminum and constantly advise potential users about the alloys and forms which will be most suitable for their intended purposes.

I might say, parenthetically, there are 60 men in that division. The men in this division are continually making calls on manufacturers located all over the country and arranging for representatives from such manufacturers to visit Alcoa's plants and research laboratories.

The records indicate that in 1950 the men in this group made calls on more than 1,500 manufacturers, and about 600 representatives from such manufacturers visited the company's plants and laboratories.

During their visits, these representatives frequently are instructed in the proper techniques of forming, welding, and finishing the various alloys and mill products of aluminum. The majority of the engineering service rendered by this division is accorded to small manufacturers, who usually do not have technical and engineering departments or the ability and resources to obtain them.

4. In order to make its aluminum products more readily and quickly available for anyone who wanted to use them in producing a finished article, Alcoa greatly expanded its distributor and jobber sales outlets following World War II. Compared to 1940, there are now more than 3 times as many of these independent general metal warehouses carrying stocks of Alcoa aluminum products, and most of them are small concerns. Their sales of Alcoa products have grown rapidly since the war, being at least 7 times greater in 1950 than in 1940. The number of customers to whom they sell Alcoa products has also multiplied considerably; a recent survey among distributors showed that their aluminum sales in 1950 were made to about 60,000 different customers, while jobber customers are conservatively estimated to number more than 100,000.

By the very nature of the business, most customers of warehouses are relatively small users and the great majority are small-business men. It is quite common practice for small-business men to use the stocks of these general metal warehouses in lieu of maintaining their own inventory, with resultant saving in expenses.

Furthermore, small quantities of aluminum products can be purchased from warehouses at lower prices than if ordered direct from the mills. Small buyers also are frequently able to obtain helpful credit terms on shipments from metal warehouses which have intimate knowledge of the activities of manufacturers in their local areas.

5. Another step taken by Alcoa after World War II was to increase its advertising, publicity, and promotional activities in order to acquaint more people with the properties and advantages of aluminum and thereby encourage them to use more of it. Alcoa's advertising program has consistently supported both large and small manufacturers of aluminum products in their efforts to increase their sales. "How to do it" motion pictures have been made and shown to more than 5,000,000 people throughout the country as a means of acquainting manufacturers and workmen with the proper techniques of forming, machining, welding, and riveting aluminum products. The company has also made freely available large quantities of technical and educational booklets covering all phases of aluminum design and fabrication; since the war, more than 2,000,000 copies of such literature have been distributed.

The combination of the foregoing moves, plus the early postwar shortages of competing materials and the pent-up demand for civilian goods, brought about a tremendous increase in the number of uses for and users of aluminum and consequently in the demand for aluminum. The problem facing the industry at the end of the war of how to find ways to absorb the output of its greatly expanded primary ingot-producing capacity as well as the tremendous quantities of wartime scrap returning to the market gradually disappeared as

markets began to expand rapidly. The upsurge in the use of aluminum was so great that during part of 1947 and nearly all of 1948, Alcoa very reluctantly had to resort to allocations of its shipments of aluminum products because its supply of metal was insufficient to meet the demand.

An allocation system, in effect, is nothing more than the apportioning among one's customers, new and old, of a supply of material which is less in the aggregate than they would like to have. If anyone can think of a situation more painful to a supplier who has spent an immense amount of effort and money in creating and building up new markets and then is forced to say "No" to customers who need more material, Alcoa would like to know what it is.

As a result of the need for allocations, Alcoa evolved a pattern which has been well tested and which it firmly believes has resulted in a thoroughly fair and equitable distribution of products to customers. During 1948, for example, when the supply of metal was short, Alcoa could have earned a substantial additional profit had it chosen to ignore its pig and ingot customers and fabricate all its metal into mill products. Instead, Alcoa shared its available metal with such customers on an equitable basis, and for this fair action the company was commended by Judge John C. Knox in his decision of June 2, 1950, in the Alcoa antitrust case.

As a result of the outbreak of the Korean War last summer, a tremendous wave of orders engulfed Alcoa from all parts of the country. To deal with this matter in an orderly fashion and to avoid inequity in treatment of its customers, Alcoa found it again necessary to put an allocation plan into effect, beginning with shipments in September. It was decided that the base period should be the first 6 months in 1950. Since this was the most recent period of record, Alcoa believed it would reflect customer requirements more accurately than any other period. It was a coincidence that after its establishment, the National Production Authority also elected to set the first 6 months of 1950 as its base period.

Alcoa's procedure in allocating its metal supply is as follows: First, it is necessary to allow a reasonable lead-time between the actual booking of orders and the month in which they are scheduled for mill production. NPA order M–5, dated October 27, 1950, paragraph 26.6, states that "no producer of primary aluminum shall be required to accept rated orders for shipment in any one month of a total tonnage of aluminum products, including pig and ingot, in excess of 25 percent of his scheduled production in terms of total primary pig tonnage for that month." Consequently, Alcoa's first step is to set aside for DO rated orders in the scheduled month at least 25 percent of its estimated pig production, exclusive of that from its reactivated stand-by smelting facilities. The next step is to set aside the amount of primary aluminum pig that must be shipped into the Government stockpile in the scheduled month. After making these deductions for current military orders and for stockpiling, the estimated remaining metal supply is then allocated for civilian applications in accordance with the relation which this supply bears to the average monthly shipments for civilian applications during the base period, the first 6 months of 1950.

If, for any reason, seasonal or otherwise, certain customers are unable to enter orders for the total amounts of metal to which they are entitled under the allocation formula, this leftover tonnage is

accumulated and used for granting appeals in hardship cases. No matter how good it is, no allocation plan can be operated on purely scientific measurement alone, and now and then the inevitable exception will be made to help some customer who is suffering an unreasonable or unbearable hardship. There is a sympathetic desire to give more to a small manufacturer who may be producing a single product made entirely or largely of aluminum. His plight is much worse, of course, than some of the concerns making diversified products in which aluminum may be used only in the production of a few items of their total line. However, Alcoa recognizes, and is constantly reminded, that an obligation exists with all its customers and that it should serve them on the basis of their previously established pattern of purchases.

Alcoa believes that its procedure in allocating metal results in fair and equitable distribution of its products to all customers. Alcoa's allocations to its own subsidiaries are on the same basis as to its customers. It is further believed that few of its customers suffered undue hardship during 1950. In that year, shipments of aluminum products were at a high level, particularly in the latter half of the year. These heavy shipments were made possible to a substantial degree through reduction of the company's inventory of metal. Shipments in this period were considerably greater than the company's total production of pig and receipts of purchased metal. As a result, Alcoa's current total inventory of metal has dwindled to the point where the supply situation has indeed become critical.

Obviously, if and as military requirements expand, Alcoa will have to reserve more of its primary pig production to fill DO orders. This will mean further reductions in allocations of aluminum products for civilian purposes. Furthermore, to whatever extent Alcoa is instructed to furnish metal for the Government stockpile during 1951, the amount of aluminum products available to customers for civilian purposes will have to be reduced accordingly. Alcoa's first shipments of aluminum pig to the stockpile from production by its permanent smelting facilities start this month. These shipments will be in addition to the aluminum pig Alcoa is already producing for the stockpile in normally uneconomical stand-by facilities being reactivated for that express purpose. Since Alcoa does not know the over-all needs of the military program, it is in no position to question the decision that aluminum must be stockpiled.

Alcoa is not in sympathy at this time, however, with the Government's program of stockpiling aluminum only in the form of pig. Instead, Alcoa has been strongly urging that metal for the stockpile should be to the greatest feasible extent in the form of standard mill products, such as sheet, plate, rod, bar, wire, and so on. Unless this is done, aluminum fabricators will be forced to reduce operations and lay off thousands of trained employees. Manpower is already short in a number of operating locations, and it is becoming increasingly difficult to find satisfactory replacements for those who are leaving to enter the armed services or for other reasons. The loss of skilled employees will be a serious blow to the ability of the aluminum industry to meet military requirements, which as yet are only a fraction of what must be anticipated before this emergency is over. These trained workmen will be badly needed when it becomes necessary to fabricate the pig in the stockpile, as well as that which will be coming from current production at the time, into sheet and other

products needed for war equipment. An aluminum pig, as such, cannot be used by an aircraft manufacturer, but he can make immediate use of aluminum sheet.

By stockpiling standard sizes of strong alloy mill products, the Government would also be stockpiling vital manpower in addition to having a usable material readily available to meet emergencies. The governmental agencies are giving careful consideration to this suggestion, but there has been no reply as yet.

Since the end of World War II, Alcoa has supplemented its metal supply by purchasing large quantities of scrap, secondary, and primary metal. Alcoa will continue to make every effort to augment its metal supply by making acquisitions wherever possible in the world market. However, it is expected that the quantity of foreign metal offered for sale in this country will not be so great in the future because of growing military requirements of all nations for aluminum.

Alcoa's production of primary metal during 1950 exceeded its best previous postwar annual output by more than 50,000,000 pounds, and this year the company expects to produce about 40,000,000 more pounds of metal in its permanent smelting facilities than it did in 1950. Partly responsible for the increase in production last year was a new plant at Point Comfort, Tex., which began operating in February. This plant, designed to produce 114,000,000 pounds of aluminum per year, uses natural gas to generate the power required for aluminum production. It is the only new aluminum-producing plant that has been built in the United States since the end of World War II, or indeed during the past 7 years. The increase in production expected this year will result largely from the expanded output of this new plant.

As a result of arrangements completed with representatives of the Government last November, Alcoa is now proceeding with plans to expand its present aluminum-producing capacity by 240,000,000 pounds annually. This additional capacity will be obtained by enlarging the Point Comfort works and by constructing an entirely new plant. Work is scheduled to begin this spring on the construction of the additional smelting facilities at Point Comfort, and this portion of the expansion program is expected to be in partial production by March 1952. The site for the new plant has not yet been determined, but Alcoa hopes to have this plant built and in operation by the middle of 1952.

Not considered in the above as a potential source of additional metal for customers is the output of stand-by facilities being reactivated at Alcoa's Badin, N. C., and Massena, N. Y., works. The additional production from these facilities will amount to about 158,000,000 pounds of aluminum per year, all of which is contracted by General Services Administration for the national defense stockpile. High-cost electric power purchased from adjacent public utilities is being used to operate these stand-by facilities at Badin and Massena, since no other power is available in these areas. The operation of these stand-by facilities is purely an emergency measure which Alcoa offered to the Government as a "quick action" plan for rapidly building up the defense stockpile. Three days after receiving Government approval of the plan, Alcoa turned out its first aluminum pig for the stockpile from stand-by equipment at Badin, and every effort is being made to reactivate all these facilities as quickly as possible.

Alcoa is glad to describe what it has done with respect to its facilities since the end of World War II to meet the growing demand for aluminum and aluminum products.

In order to be in a position to provide its present and potential customers with a greater quantity and wider variety of high-quality aluminum products, Alcoa embarked on a program after World War II to improve and expand its facilities, and since the end of the war, Alcoa has spent approximately $300,000,000 for this improvement and expansion program, and during the next few years large additional expenditures will be required in order to carry out the 240,000,000-pound program of expansion requested of it by the Government.

One of the major items of cost in Alcoa's postwar building program is the new Texas smelting plant already mentioned. In a further effort to increase production of aluminum, last June Alcoa purchased from GSA the idle, war-built smelting plant located adjacent to the company's older plant at Massena, N. Y. The idle facilities at both these plants are now rapidly being reactivated as part of Alcoa's "quick action" emergency plan to obtain additional aluminum for the national defense stockpile.

Following is a brief review of some of the other significant developments in Alcoa's $300,000,000 postwar building program:

Facilities for the production of aluminum sand and permanent-mold castings were improved and expanded at existing foundries in Cleveland, Ohio, Detroit, Mich., and Bridgeport, Conn. A new die-casting plant was built at Hillside, Ill., near Chicago, to serve the growing Midwest market, and die-casting facilities were improved at an existing plant at Garwood, N. J.

Additional equipment for rolling aluminum foil was installed at Edgewater, N. J., plant, and a new foil mill was added to the Alcoa, Tenn., works. An extrusion plant at Cressona, Pa., which Alcoa had built and operated during the war for the Government, was purchased from War Assets Administration. A new wire, rod, and cable plant was built at Vancouver, Wash., to serve the growing far western markets for these products. The largest single expenditure was for a new rolling mill near Davenport, Iowa, which can produce wider and longer aluminum sheet and place than any other aluminum mill in existence.

These expanded facilities, as well as numerous other improvements and additions that have been made throughout the company's entire scope of operations, have all helped Alcoa to supply its customers with increased amounts of aluminum products in a wider range of sizes and of higher quality. But even more important now, the existence of these facilities provides America with improved additional sources of aluminum products in event of all-out war.

Senator THYE. I would like to ask Mr. Wilmot what would be the effect of the contemplated death-sentence order, insofar as it would affect your employees?

Mr. WILMOT. The death sentence?

Senator THYE. Yes.

Mr. WILMOT. You mean the prohibitory order?

Senator THYE. Yes.

Mr. WILMOT. Well, that is very difficult to estimate, Senator. Of course, our mills are so designed that we can put in the strong

alloys for war purposes rather than the common alloys, which are used in peacetime.

It would not affect us anywhere nearly to the same extent as would be true of these small manufacturers, our customers, but we feel very keenly, and it is certainly our hope, that some means can be found to keep these people alive.

Senator THYE. Have you had an opportunity to sit in and help to appraise the over-all situation, and to try and allocate the materials, and to allocate the metals in such a manner that we wouldn't cripple or destroy our domestic production, and domestic processing, and still at the same time get the military needs for stockpiling?

Mr. WILMOT. We have had many conferences with NPA during these occasions during which those matters were discussed. When it was first rumored that there might be this prohibitory order, we urged that it not be done without extremely careful consideration.

Senator THYE. Do you care to make any comment simply of what has been done and what has not been done?

Mr. WILMOT. No; I think not. We get to this, Senator: There is certainly an inadequate supply of aluminum for a full-scale peace economy, plus the military requirements, and plus, now, the additional requirements of the stockpiling, and hence that all merely means that the civilian people can't have so much aluminum as they would like, and as we would like to see that they have.

Senator THYE. Thank you. That answers my question.

Senator HUNT. Might I ask you what is the source of your ore? Is it foreign, domestic, or both?

Mr. WILMOT. I would turn that over to Mr. Wilson, if I may, please.

Mr. WILSON. Over the period of years, Senator, we have switched from depending entirely upon domestic ore to, in generalities, depending on about two-thirds imported ore, our ore being largely imported from Dutch Guiana.

Today our percentage from imported ore is even in excess of what had been the case in previous years. We are more nearly 80 percent dependent on imported bauxite.

Senator HUNT. In the event of an all-out world war, wouldn't your company be in a very precarious position with reference to your importation of ore?

Mr. WILSON. There is no question it would be serious, but it was in anticipation of such emergencies that we adopted this policy so as to conserve, very largely, the somewhat limited domestic reserves of bauxite, and we have reserves that would carry us for a few years, but it would be very precarious to depend upon those domestic bauxite reserves as heretofore used.

However, we have improved the process of extracting the alumina from bauxite to the extent that now we can use grades of bauxite which are much less pure, and some 10 years ago were not considered as adaptable, but now we can use those so that that has very largely expanded our domestic reserves.

Senator HUNT. Then your position is that you can continue to make aluminum, even though your foreign supply of ore would be drastically reduced?

Mr. WILSON. It would be a very precarious position, however, Senator, and I would think it would not be a comfortable one from the standpoint of our national position.

Senator HUNT. Do you know whether or not much is being done to expand the supply of domestic low-grade ore—much research development?

Mr. WILSON. I am not sure that I understand your question, to expand the supply, or do you mean to make possible the utilization of other materials?

Senator HUNT. I didn't ask the second, but I would like for you to address yourself to both questions, increasing the supply through your natural processes of research ,and through your engineers, geologists, and so forth, and then improving the method of manufacture of your product from these low-grade ores. I would like to have you address yourself to both questions.

Mr. WILSON. My answer to both questions is that there has been a great deal of work done. As far as expanding the supply, that is merely a question of endeavoring to locate additional quantities of material that already exist. That has been done. The Bureau of Mines did considerable work on it during the war. We in Alcoa have done some. We recognize large quantities of low-grade bauxite that are now suitable for the manufacture of alumina, which in turn is used in the smelting of the aluminum. The utilization of those low-grade bauxites has been made possible by a process developed very early in World War II by Alcoa research, and was incorporated in alumina plants built during the middle and latter part of World War II, and those processes have been somewhat further improved so that even lower-grade bauxites can be used, and are being used now where never before thought possible.

Senator HUNT. In the event of your foreign supply being curtailed, or entirely stopped, you would be able to fall back on those low-grade ores, and continue to make your product?

Mr. WILSON. That is correct. On the other hand, as to the second portion of your question, a great deal of work has been done on the utilization of aluminus materials other than bauxite. Alcoa has over practically its entire existence, certainly over the last 50 years of its existence, continuously performed research in an endeavor to work out economical processes that would permit the use of these other aluminus materials.

Senator HUNT. What do you know about the ore known as anorthosite?

Mr. WILSON. I am not qualified from a technical point of view to speak authoritatively on it, Senator. On the other hand, I know a little about it, in its generalities, and I know that from a technical point of view, alumina can be produced from anorthosite of an entirely satisfactory quality for the production of aluminum. The question, as I know it, in connection with anorthosite, is the economy of utilizing that material for alumina, and that in turn would depend principally, according to my limited understanding, upon the value of what would be the byproduct from the processing of anorthosite for alumina; that byproduct presumably being a satisfactory base for cement, Portland cement. But to produce a ton of alumina from anorthosite, as I understand the process, would require the processing of about 8 tons of material, eight times as many tons of material as it does to produce it from medium-grade bauxite, so that inherently it seems to be noneconomical.

Senator HUNT. You get a byproduct of cement from the bauxite?

Mr. WILSON. No, Senator; there is no byproduct of any consequence, so far as any value from the process of bauxite is concerned. We are producing from bauxite a byproduct, gallium, which has very interesting properties, but as yet we haven't developed any market for it in any quantity, but speaking by and large, there are no valuable byproducts from the processing of bauxite for alumina.

Senator HUNT. Just 1 minute, gentlemen. Mr. Henderson wants to ask you a question to clear up a matter.

Mr. HENDERSON. One of the previous witnesses raised a question on your statement on page 6, the second paragraph. You say that Alcoa found it necessary to put an allocation plan into effect beginning with shipments in September. They claimed that that was August.

Do you want to comment on that?

Mr. WILMOT. My recollection is that it was actually September.

Mr. HENDERSON. Further, it was decided that the base period should be the first 6 months of 1950.

Mr. WILMOT. Yes.

Mr. HENDERSON. They said the initial formula was computed on the basis of a previous 18 months divided by 24, multiplied by 90 percent.

Mr. WILMOT. The initial base period for pig and ingot allocations instituted in September 1950 was the 18-month period consisting of all of 1949 and the first 6 months of 1950. However, the formula was different in one major respect from that quoted in the transcript by Mr. Henderson. The actual formula put into effect initially at that time was computed by adding shipments made in the whole year 1949 to twice the shipments made in the first 6 months of 1950, dividing by 24, and then multiplying by 90 percent. This formula resulted in a weighted average rather than a simple average.

Later on we concentrated, and used the first 6 months of 1950 as applicable to all products on the grounds that that was a more representative period; the shipments were greater in that period than they were in either the first or second half of 1949, and it was the latest period, also, of which we had record.

Senator HUNT. Thank you, gentlemen. We appreciate a very great deal your coming, and giving us this testimony. It has been most helpful.

Senator THYE. I now find myself not only chairman, but the committee.

The next witness is Mr. D. A. Rhoades, vice president and general manager of the Kaiser Aluminum Co.

You are the last person to appear.

## STATEMENT OF D. A. RHOADES, VICE PRESIDENT AND GENERAL MANAGER OF THE KAISER ALUMINUM & CHEMICAL CORP.

Mr. RHOADES. My name is D. A. Rhoades, vice president and general manager of the Kaiser Aluminum & Chemical Corp. of Oakland, Calif.

I have prepared a statement here and should like to give it to the clerk.

Senator THYE. The statement will be laid before the reporter, who will incorporate it in the record as though you had read it, and then if you want, you may comment in whatever manner you wish in addition.

Mr. RHOADES. Thank you, sir.

In this statement I have outlined the present capacity of the primary aluminum in the United States as 1.53 billion pounds. The proposed additions in the so-called step 1 program, which we are presently negotiating, provides for an increase of 892,000,000 pounds, making the potential capacity 2.422 billion pounds. To this should be added approximately 160,000,000 pounds of reactivated higher-cost capacity, which will result in a maximum planned capacity of 2.582 billion pounds of aluminum, or an increase of slightly over 1,000,000,000 pounds.

The basic factors contributing to the current aluminum shortage are familiar to anyone connected with the industry and should be well known by any small businessman who reads the daily papers.

In summary, it may be stated that with aluminum for commercial purposes practically at capacity in mid-1950, the further sudden demands of the Korean War and the formulation of a defense program were added with the obvious result of a very much aggravated aluminum supply situation and the necessity for some Government control.

Experience to date—January 17, 1951—shows a vastly increasing pressure of military requirement which will probably force the percentage allocation for rated orders from the present 25 percent to possibly 40 percent of primary production.

Insofar as our company is concerned, for January, our rated orders are 27 percent. We are accepting 27 percent of rated orders for the military.

This pressure, plus the urgent timing of most of this military business, are contributing factors toward the impending Government limitations order prohibiting the use of aluminum in certain designated nonessential applications and the very likely early imposition of a complete governmental control over all shipments of aluminum in a system similar to World War II controlled materials plan.

As to the effectiveness of NPA controls, faced with the problem of dividing scarcity in order to serve the military needs, we believe that the actions of NPA to date have been necessary and effective. In some of our early meetings with NPA we attempted to point out to them the drastic effect their program would have upon our customers, and we attempted to present to them events which we foresaw with the result that NPA advised us that they were resigned to the fact that their necessary actions would impose severe hardships upon certain of our customers. But the needs of the military were paramount and were to be supplied preferentially, and any amount remaining would be equitably divided in the civilian economy. The 25 percent DO percentage has been sufficient so far, but the DO demand in advance schedules is increasing steadily, now approaching 30 percent of primary production. This pressure should be recognized by the Government as quickly as possible so that proper adjustments may be made in prospective schedules of producers to provide adequately for defense business and avoid a possible scramble in later schedules.

The aircraft scheduling unit at Wright Field has been very helpful in avoiding duplicate and excessive ordering in aircraft business.

NPA and other Government agency personnel are fully qualified as to ability, but these staffs as presently constituted are limited and therefore swamped, and are thus unable to give industry problems the time and attention they deserve.

Senator THYE. Have you been contacted by any of the Federal agencies to seek suggestions from you how we may proceed with the allocations in order that we do not cripple domestic functions, and still meet the military needs?

Have you had any criticisms of how it has been handled to date? What we are endeavoring is to wipe out what might be just sheerest misuse of materials that they have acquired under their orders and under their supervision, or materials left unused and apparently forgotten.

Mr. RHOADES. Any advice we could give them in that respect. Senator, I should think would be determined by what the military demands are. We have no knowledge of what the military needs are, and the military needs are the fundamental basis on which we receive an allocation of DO business, which is a defense order.

Now, I think it would be presumptuous on our part, without full knowledge of the military program, to dictate or suggest to them how this allocation could be better handled.

Senator THYE. You couldn't dictate, of course, but you could always suggest.

Mr. RHOADES. Not without the knowledge of the military requirements, because that is a fundamental basis of this allocation program.

We have attended meetings; I have attended meetings with NPA as a prime metal producer, and we have been told as restricted information the amount of material they want to put in stockpiles, aluminum, either in the form of pig or some other form, we hope, semifabricated.

Senator THYE. And then you are supplying, of course, some under Federal orders and others to your customers?

Mr. RHOADES. That is correct.

Senator THYE. Now, how do you handle the allocation of this material to your customers? Do you do so on the basis of percent of their previous contracts?

Mr. RHOADES. That is correct, sir.

Senator THYE. That is how you do handle it?

Mr. RHOADES. That is correct.

Senator THYE. So that if you had Mr. Smith and Mr. Jones purchasing from you, and you had received an order from them, and your records indicate they had been doing business with you over the past 4 or 5 years, their orders would be filled in the percent that you had available to allocate to the domestic user or processor, and you would treat everybody alike?

Mr. RHOADES. That is our policy.

Senator THYE. So Mr. Smith and Mr. Jones would get a percent of their order in view of the volume of the business they had transacted with you in the past.

Mr. RHOADES. That is the basis of our policy for equitable distribution of our available metal supply.

Senator THYE. Do you recognize any new purchase orders that come in from a new processor or fabricator?

Mr. RHOADES. We have. It isn't quite so simple as you state it, but you are 99 percent correct, and you are entirely correct in a general way, but we have 750 or 1,000 customers, and we allocate our metal by districts throughout the United States, and we give each division some authority, because he is familiar with the peculiar problems of the small customers in his particular area, and we feel that he is best able to try and keep everybody happy within the limitations of the metal available to him, without making any great exception to the general policy.

For instance, during the year 1950, subsequent to July 1, when we were on an allocation basis that was instigated on our own before the Government program came in, we sold 30 additional customers after July 1, 1950, up to January 1, 1951. The total amount of metal that these 30 customers received from us, over a period of 6 months, was a little over 600,000 pounds.

Senator THYE. What percent of your total production?

Mr. RHOADES. That would be roughly 2 or 3 percent, but an average of about 3,000 pounds per customer, per month. We felt that we were helping a lot of the small people—maybe it was a deviation from the general policy—but we felt that it would be a good thing to do, and consequently we did that.

Senator THYE. You and your firm are not fabricators?

Mr. RHOADES. No.

Senator THYE. You are not competing with the man that is fabricating window sash and that type of equipment?

Mr. RHOADES. No, sir.

Senator THYE. You do make sheeting or roofing?

Mr. RHOADES. Yes; and primarily aluminum.

Senator THYE. What percent of your production do you fabricate yourself?

Mr. RHOADES. Oh, I should say less than one, it is practically nothing.

Senator THYE. When you speak about fabrication, would you say roofing and siding?

Mr. RHOADES. That would not include corrugated roofing, which I consider a mill product.

Senator THYE. In other words, you ship directly from the mill to the lumber yard that retails the roofing material, you have regular sales organizations that sell your product?

Mr. RHOADES. Jobbers, distributors, and so forth.

Senator THYE. You sell your product from your mill, and it goes on out to supply the local community needs to the lumber yard or whoever happens to be the agent?

Mr. RHOADES. I should say that everything we sell is for resale, you might say. We don't sell to the ultimate consumer.

There are three products, or possibly four, that might be considered as a mill product. First is a household foil. We sell a little household foil, as do the other primary producers. We sell a siding material, and the corrugated that you mentioned, and then we also make a screen, a louvered screen that is fabricated from very light sheet, but outside of the corrugated product, the sum total of all the others is a very small percentage of our business.

I should like, if I may have a moment, to make a statement in regard to what we have done during the past couple of years in trying

to make a contribution to this fundamental problem that is facing us now, which is a scarcity of primary metal. In the latter part of 1949, and the early part of 1950, we increased our primary aluminum capacity from 256,000,000 to 300,000,000 pounds per year, or a 20-percent increase. We started last year, in August, and will have completed by February of this year an additional increase of 40,000,000 pounds of primary aluminum production, which represents an increase of 12 to 14 percent. We also have or are negotiating with the Government for an additional 200,000,000-pound aluminum capacity increase. Those negotiations are still going on, and we hope that they will be concluded in the near future so that we can proceed and supply this economy with the much needed metal.

Senator THYE. Thank you, Mr. Rhoades.

Without objection, the statement of C. V. Smith, of the National Aluminum Co., and the statement of the Monolith Portland Midwest Co. will be inserted in the record at this point.

(The statements above referred to are as follows:)

STATEMENT OF C. V. SMITH, NATIONAL ALUMINUM CO.

I represent a group of individuals comprising the highest recognized technical ability in the aluminum industry, together with managerial, financial, and general business and legal experience. My name is C. V. Smith, 902 Rector Building, Little Rock, Ark. I have had 35 years of business experience in the metals industry, in finance and in transportation, and am devoting my entire time at present to this enterprise. I have been the president of the largest independent bus company in the country, employing more than 3,500 people, operating through 11 States in the Southwest with a maximum gross revenue in excess of $14,000,000 annually. Associated with me are Mr. Arthur F. Johnson, with 25 years' experience in the aluminum industry, holding responsible executive and operating positions in both Alcoa and Reynolds companies. He was the plant manager at Reynolds' Lister Hill and Long View plants and under his supervision developed the process whereby Jamaican bauxite could be used successfully. Mr. Aaron S. Saphier, president and chairman of the board of the General Bronze Co., is a man with more than 25 years of successful executive experience in the aluminum and related metal industries. Mr. Harry Harris is majority stockholder in Continental Copper & Brass and United Aircraft Products Co. Both of the organizations which Mr. Saphier and Harris represent are substantial users of aluminum. Mr. A. L. Wheeler is an attorney and a senior partner in the law firm of Mayock, Wheeler & Scoutt. If certificated to produce aluminum we propose to form the National Aluminum Co., erect plants, and engage in the business as outlined in detail in our proposals to the Government.

On or about October 1, 1950, Dr. R. L. Sebastian, Assistant to the Director of the Office of Matériel of the NSRB, knowing of our qualifications and interest in entering the aluminum business, recommended that we confer with Mr. Roscoe Seybold of the Munitions Board concerning the submission of a proposal to construct and operate an aluminum reduction plant. Shortly thereafter we conferred with Mr. Seybold and Mr. John T. Mason of the Munitions Board concerning the submission of such a proposal. Mr. Mason provided us with seven questions which he recommended that we answer in our proposal to the Munitions Board for the construction and operation of an aluminum plant. These questions, which were concerned with delivery schedules, raw material and power supply, location, price and financial aid and cancellation terms were circulated to only six organizations, to wit: Alcoa, Reynolds, Kaiser, Apex, Harvey, and ourselves, which organizations were considered qualified by the Munitions Board. About October 7 we were notified by Mr. Seybold that our proposals were to be submitted to the NSRB in lieu of the Munitions Board. On October 13 we submitted a complete and detailed proposal for a three-pot-line plant to produce 57,000 tons of aluminum a year from alumina supplied by other producers. This plant was to be located in the Southwest and utilize natural gas as a source of electric power. Domestic alumina production capacity at this time exceeded consumption by more than 700,000 tons annually. Inquiries were made of Alcoa and a price quoted by them on alumina to us. Our proposal contained copies of original firm

quotations on the construction of our own power plant, on fuel and on the plant site and quotations on major secondary material and supply items. Cost, personnel, construction and production schedules were included. The last mentioned is attached as an exhibit to this testimony indicating that we could begin delivery of metal as early as August 1951 upon expeditious certification.

On October 23 Mr. Symington called a meeting of the six qualified applicants to discuss aluminum industry expansion. Our organization was represented at this conference by Mr. A. L. Wheeler and myself. After October 23 we were advised of the development of a shortage in alumina and requested to submit an amended proposal wherein provision was made for the construction and operation of our own alumina plant and the development of our own bauxite supply. On November 6, 1950, we submitted our amended proposal wherein detailed estimates and comprehensive plans were set forth as requested. Between November 6 and December 20, 1950, numerous conferences were held with Dr. James Boyd, Director of the Bureau of Mines, Mr. H. W. St. Claire, head of the Aluminum Division of the Bureau of Mines, Mr. I. Gumbel, Assistant to the Administrator of General Services Administration, and Dr. R. L. Sebastian, Assistant to the Director of the Aluminum Division of NSRB concerning financing, production, power, and other details of a proposed letter of intent. On December 21, Dr. James C. Boyd requested us to submit a further amended proposal to increase our pot lines from three to four with corresponding increase in alumina and bauxite facilities. It was indicated that a bottleneck would develop in the manufacture of aluminum sheet, wire, rod and shapes and that we should, therefore, include such facilities in our amended proposal. On January 10, 1951, we submitted the amendment suggested by Dr. Boyd.

The competence of our technical personnel is such that one of the independents who has been certificated in the industry has approached our top operational personnel and requested his services on a consulting basis to assist them into getting into the business. It is an anomalous situation where a noncertificated applicant must furnish know-how of its key personnel to get a certificated applicant—in operation.

In our opinion the most expeditious method of producing scarce metal and at the same time of complying with the intent of Congress to help small business was not carried out by the policy adopted. This policy was expressed in the testimony of Mr. Larsen on January 23 before this subcommittee as follows:

"In order to obtain production as rapidly as possible the present producers in the aluminum field should bear the major burden of the increase."

Accordingly, existing producers were the first to be certificated. We respectfully submit that we were in a position to produce as quick or quicker action. Unhampered with other problems or business we could devote our whole energies to the one problem at hand, based on plans and tentative commitments already roughed out months in advance and on file with the interested departments.

It would seem that the administrative policy was diametrically opposed to the intent of Congress written into the Defense Production Act of 1950, which states in section 701 (a):

"It is the sense of Congress that small business enterprises be encouraged to make the greatest possible contribution toward achieving the objectives of this act."

Mr. D. L. Marlett, Assistant Administrator of Defense Power Administration, testifying for Secretary Chapman on Monday of this week before this subcommittee, testified to an even more serious consequence arising from disregard of the congressional mandate in the Defense Production Act. I quote from his testimony:

"I think we must face the facts and try to foster as many new operators as are possible, provided they operate at reasonably low levels of cost. If the Government wants to promote competition without regard to how the cost and prices may go for new producers, we could possibly have quite a number of producers. But then the market outlook would be much less favorable, the cost to the public would be very high, and that kind of competition would not bring the benefits that competition is supposed to bring."

The very situation envisaged by Mr. Marlett has been partially brought about by the delay in certificating independent aluminum companies such as ourselves, while approving the expansion of existing large interests. It militates against permitting such new businesses to compete effectively in this industry. I will cite just one instance of the effect of the administrative policy. In October, shortly after submitting our proposal, further inquiry showed we could obtain natural gas, one of the principal items of costs, at 6½ cents per thousand cubic feet.

Today it is doubtful if it could be obtained under 10 cents, an increase of 60 percent. Plant and other costs would also be higher today.

There is still an opportunity to establish new, independent, effective, competition in one of the most monopolistic industries in the United States. This opportunity should not be lost, because it may be the last chance whereby competition may be infused. It should be done promptly and before relative costs of new plant capacity get too far out of line with those of existing interests.

Chairman Cellers summarized the aluminum supply situation on Monday as follows:

"CHAIRMAN. To recapitulate, by the first half of 1952 the shortage over-all will be over 600,000 tons, and that shortage would grow progressively worse every 6 months thereafter. Is that correct?

"Mr. MARLETT. That is correct" (p. 87).

We state here on record that we continue to press for certification of any economically feasible part of this needed production.

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STATEMENT OF H. D. MCBRIDE, MANAGER, OXIDE DIVISION, THE MONOLITH PORTLAND MIDWEST CO., LOS ANGELES, CALIF.

SUMMARY

1. The United States in the current mobilization program is again faced with a dire shortage of aluminum, just as it was in World War II.

(*a*) The Aluminum Co. of America, the dominant factor in the aluminum industry, as late as September 1950 insisted that "there is plenty of aluminum for any announced military program"; but already this country has run into drastic shortages of aluminum.

(*b*) The Aluminum Co. of America is using the same obstructive methods to discourage a self-sufficiency policy for aluminum for which it was so severely criticized in World War II.

2. At present, this country is dependent upon the importation of bauxite for its supply of raw material for the aluminum industry, and the threat of Russian submarines is even greater than was that of the German submarines which proved so damaging in World War II.

3. Because this country is currently dependent upon the importation of raw materials for aluminum, the emergency requirements of aluminum are threatened by fifth-column activities which might disrupt the importation of bauxite.

4. The aluminum industry is controlled by monopolistic practices which are made effective through the control of foreign bauxite and the discouragement of the development of a substitute American source of raw material.

5. Satisfactory domestic substitutes for bauxite can be developed in this country:

(*a*) A program for the development of domestic sources of raw material for the aluminum industry was worked out during World War II, and the development program was financed by the Federal Government.

(i) A 30-million-dollar experimental program to test four selected processes for the development of domestic sources of raw material was set in motion during the last war.

(ii) At the end of hostilities the experimental program was terminated and the partially completed plants for three of the selected processes were disposed of and are no longer available.

(iii) The plant for the fourth process, which was being constructed under contract by Monolith Portland Midwest Co., still stands in good condition and is about 90 percent completed.

(*b*) The defense plant under contract to Monolith Portland Midwest Co. can with the use of a comparatively small amount of money, be completed and placed in operation for testing a process to recover alumina from anorthosite and clays which are available in unlimited quantities within the United States.

It very definitely appears that corrective steps must be taken by our Government to insure to the vital aluminum industry continuously available supplies of raw materials. Hundreds of millions of dollars have been invested in reduction plants and aluminum-processing facilities within the United States; and during the past few months the Government has been negotiating with the industry to double present capacity with additional increases being planned. Yet, the entire potency of this vast industry is dependent upon the importation of foreign raw

materials, with the attendant expense, perils, and uncertainties of foreign control, mining, and water shipment during time of war.

The only raw material that the present industry as it is now constituted can utilize is what is known as bauxite, supplies of which are virtually exhausted in this country. Therefore, from a national-defense standpoint, it is elementary sense that a substitute raw material should be developed with such adjustments in processing as are necessary.

Such a substitute raw material is available in unlimited quantities throughout the United States in the form of anorthosite and clay, which could with Government aid make the industry entirely independent of foreign sources. Moreover, there is situated at Laramie, Wyo., a Government-owned $4,500,000 semicommercial, experimental plant which can be placed in operation within a few months to demonstrate the economic feasibility of a process to utilize these vast resources of domestic materials.

We address ourselves, then, to the following questions for an evaluation of the national risk involved, should the Government elect to ignore the use of this remedy in the emergency now existing:

(1) Does the aluminum emergency, which shocked our Armed Forces in World War II, still exist today?

(2) To a large extent, the aluminum emergency during World War II was the result of German submarine action against foreign importations of bauxite. Is it true that Russia has more and better submarines than the Germans had, and that additional methods have been perfected to deny us access to imports?

(3) The last emergency was complicated by German fifth-column activities. Is Russia weaker or stronger in this respect, considering her domination of certain labor unions?

(4) Do these aluminum emergencies result from a planned monopoly by the industry?

(5) Is there a reasonable chance of producing a statisfactory domestic substitute for bauxite?

ANSWER I

As for the duplication of the World War II emergency in aluminum, Drew Pearson on October 7, 1950, reported accurately and to the point as follows:

"It can now be revealed that one of the most shocking deficiencies which the Munitions Board did little about was aluminum. During World War II, American housewives were called upon to donate pots, pans, and kettles to help their country, because war planners and private industry had failed to anticipate aluminum needs. Now it looks as if, in case of all-out war, we might have to do the same thing again. For, believe it or not, the Munitions Board did not even try to buy aluminum for stockpiling until August 4, more than a month after the Korean War started.

"The amazing failure was partly due to backstage maneuvering of the giant Aluminum Corp. of America, the empire built up by the late Andrew Mellon, Secretary of the Treasury under Coolidge and Hoover. Alcoa, which called the signals wrong in World War II, is now doing the same at the start of what may be world war III.

"Here is how history is repeating.

"World War II: In August 1940, Alcoa's manager, Irving M. Wilson, announced his company was 'in a position to supply the United States Government, both Army and Navy, with all the aluminum it will require for national defense within the next year' and that 'a substantial surplus' would be left over to fill British orders.

"Various Government advisers disagreed, chiefly Leon Henderson, later OPA Administrator, and Robert Nathan, war-plans brain truster. They argued, urged, and begged that aluminum production be increased—to no avail.

"The rest of the story is well known to every housewife. The shortage that followed helped break the complete monopoly Alcoa had on aluminum in this country. At the urging of the United States Government, Reynolds Metals and the Henry Kaiser Co. went into the aluminum business. However, thanks to a $65,900,000 RFC subsidy granted by Jesse Jones, Alcoa also built a giant plant on the Saguenay River in Canada, financed by the United States Government interest-free, and not subject to high United States taxes. It was a windfall to Alcoa's twin sister, the Aluminium Corp. of Canada.

"The present war crisis: Ten years later the Aluminum Corp. of America, on September 25, 1950, inserted an ad in New York papers, promising plenty of aluminum for everyone. 'To our Government we report,' said the ad, 'there is plenty of aluminum for any announced military program.'

"Despite this promise so reminiscent of World War II, the Nation is already so short of aluminum that the Agriculture Department has had to stop building aluminum storage bins and aluminum is now allocated to most manufacturers.

"Meanwhile, Alcoa doesn't want new plants built in this country, but is trying to persuade the Munitions Board to buy aluminum from its sister company, Alcan, the Aluminum Corp. of Canada. But Arthur Vining Davis, chairman of Alcoa, is also a large stockholder in Alcan, and his nephew, Nathaniel Davis, is its president. In fact, the Quebec town where Alcan's plant is located is called Arvida, in honor of Arthur Vining Davis.

"Furthermore, the two companies' policies go hand-in-hand. Last month, when the Aluminum Corp. of America boosted its price 10 percent, the Aluminum Corp. of Canada immediately followed suit.

"Motive behind Alcoa's demand that we buy aluminum from its Canadian twin sister is to prevent building up any fresh competition from Kaiser and Reynolds. The less competition Alcoa has, the higher prices the Government and the public pay."

A more detailed account of the World War II emergency and some of its causes is given in a 257-page book published by the Columbia University Press in 1946, entitled "Light Metals Monopoly," as follows:

"Some share of the responsibility for the well-known delays in aluminum procurement to meet United States war needs falls on the Army and Navy Munitions Board which took aluminum off the strategic list in January 1940. In April 1940, the Board was quoted as 'anticipating no major problems' in the aluminum industry. While it was conceded that civilian and military requirements, especially in aircraft and heavy transportation, were increasing at an accelerating rate, and that fabricating facilities and bauxite might be inadequate if the demand for special shapes increased, the Board listed aluminum as 'critical,' not 'strategic.' The critical category embraced materials essential to defense, but less essential than strategic materials, more available at home, and requiring 'some conservation and distribution control.' The Board concluded cheerfully: 'After several years of research, and continued technical developments in that industry, a thorough survey of materials and facilities matched against requirements reveals that no particular problem is presented' (Army and Navy Munitions Board, the Strategic and Critical Materials, March 1940, pp. 20–23; Strategic and Critical Raw Materials, department of economics, government, and history, West Point, 1940, p. 15).

"Discouraging a self-sufficiency policy toward bauxite as too taxing a drain on our limited home supply of bauxite, the Army favored, as an emergency measure, maintaining the sea lanes to South America until home resources were made available. Thus our military authorities made several mistakes in planning: (1) they greatly underestimated the aluminum requirements of a protracted air war; (2) assuming that no interruption of shipping was within the horizon of probability, they ignored the possibility of building up a stockpile of aluminum; (3) they made no plans for developing new methods to utilize home resources. It is of interest that the relations between the Army and Alcoa had been reputedly cordial and intimate for many years before the war. A considerable amount of joint research had taken place.

"In June 1940, estimated requirements for May 1941 were fixed at 50,000,000 pounds a month, of which only half was military. With current production capacity of Alcoa then at 30,000,000 pounds a month, no great procurement problem was foreseen. But when President Roosevelt, in May 1941, announced the production objectives of 500 bombers a month (each bomber absorbing from 60,000 to 80,000 pounds of aluminum), the direct military program was raised to 100,000,000 pounds a month. This meant not only using all current production for the most urgent military needs, leaving none for civilian uses, but also great production increases for military use alone—an aim finally attained as the aluminum-production program reached its peak nearly 2 years after Pearl Harbor (Truman hearings, pt. 3, pp. 713–15).

"Until August 1941, there was no contract signed for Government-financed explansion of aluminum capacity; Alcoa privately financed the enlargements and additions which were to yield capacity for approximately 700,000,000 pounds (or about half the military program as was foreseen in the spring of 1941) by the end of 1941.

"Yet, there was assurance on the part of public officials and Alcoa that production plans were completely geared to war needs. It would appear that the inexperience of some Government planners forced them to rely heavily on the program and interpretation of the established firm. It would hardly be surprising if, in such a case, planned capacity were restricted for fear of postwar surpluses. Starting in

May 1940, Edward Stettinius, then a member of the National Defense Advisory Commission and later of OPM, assured the public that aluminum was not scarce. He reiterated on November 8, 1940, that there was an actual surplus of aluminum over military and civilian needs. A few weeks later, Northrup Aircraft, Inc., made the Nation's headlines by complaining of insufficient aluminum supplies for airplane production (I. F. Stone, Business as Usual, The First Year of Defense (New York, 1941), p. 54).

"On August 12, 1940, Irving W. Wilson, vice president of Alcoa in charge of operations, testified that Alcoa's private expansion programs would be enough to supply the United States Government for 2 years, even should requirements continue to increase. According to I. F. Stone, Richard S. Reynolds, president of the Reynolds Metals Co., fearing German air strength augmented by bauxite and aluminum from conquered France, urged Arthur V. Davis to ask the Government for funds to triple Alcoa capacity, with the agreement that new plants be closed down at the end of the war. Davis told Reynolds there was ample aluminum and no cause for unnecessary alarm (ibid., p. 51).

"But William Batt, Deputy Director of Production in OPM, was forced to tell the Truman committee on May 12, 1941, that 'our sights all the way down the line have been too low' and that 1941 production would meet only the highest priority military requirements, mainly the heavy bomber program (Truman hearings, pt. 3, p. 716). Two days later G. R. Gibbons, senior vice president of Alcoa, asserted before the committee: 'There is plenty of aluminum for national defense today, at this minute. * * * There may be a shortage next month.' Secretary of the Interior Harold L. Ickes retorted a month later: 'That is a statement which was as incorrect then as it is incorrect to date. Personally I think that this statement betrays either incompetence or self-interest, both of which are dangerous to our program of national defense.' He complained that, unless the Government built aluminum plants, 'we would continue to be at the mercy of the Aluminum Co.'s apparent purpose to continue expansion on a piecemeal basis.'

"Senator James Mead's summation of the state of affairs in a special report issued by the Truman committee lays the blame of 'serious miscalculations' on OPM for relying upon Alcoa's assurance as to the adequacy of the supply, as follows:

" 'During this * * * OPM had apparently completely relied on * * * Alcoa as a source of information as to the availability of aluminum and had discharged [sic] anyone else from going into the business * * * It is reasonable to conclude that Alcoa had convinced * * * OPM of the adequacy of the supply in order to avoid the possibility that anyone else would go into a field which they had for so many years successfully monopolized. How they expected to take care of the situation when the shortage became apparent is not clear. They may have reasoned that in its desperation the Government would do almost anything to increase the supply and that Alcoa would be favorably treated by the Government in order to assure an adequate supply for defense purposes (Mead report, p. 3).'

"The OPM itself blamed the shortages on several factors: (1) Increased working inventories of aircraft plants which stocked up for 10 months of production instead of for the expected 2 months; (2) increased indirect military requirements such as wire, pots and pans; (3) large withdrawals of secondary aluminum from the market; (4) a temporary fall in imports from Canada; and (5) bottlenecks in finishing capacity.

"The increased inventories and the withdrawal of secondary aluminum can be interpreted as hoarding induced by an uncontrolled market and by uncertainty that supplies would be forthcoming when needed. This reflects the inadequate scope and intensity of control and its slow application in a particularly tight market (Truman hearings, pt. 3, p. 714). As late as February 21, 1941, the New York Herald Tribune spoke of a voluntary attempt of aluminum-using industries to distribute the supply equitably. Shortly after, the OPM restricted the flow of aluminum into ice trays (New York Times, March 9, 1941) and on April 6, 1941, the New York Herald Tribune reported that OPM intended to cut down on the consumption of a small quantity of aluminum in private airplanes). The lack of fabrication facilities suggests inadequate coordination of expansion by Alcoa, as well as chronic limitations of capacity."

Those at all concerned with this picture know that because of this aluminum shortage it was impossible to avoid the loss of thousands of lives during that war for the reason that our very excellently trained boys, in many cases, had nothing proper to fly, with no spares with which to train or further their effort.

Concerning this point, Dr. R. S. Dean, in his report of November 28, 1949, Aluminum Requirements in a National Emergency, stated:

"In World War II the War Production Board estimated requirements after 1943 at 1½ million tons of metal annually. Actually the coat was cut according to the cloth, and a peak production of only 920,000 tons was reached in 1943. Failure to meet the War Production Board requirements by 1943, followed by a lowering of the requirements after that date, did not represent an overestimate. It represented, rather, a failure to produce as required. Training planes had been made of wood or done without. Less adequate materials had been used in many places. By the time the cloth was available the suit had been, perforce, cut from less adequate materials."

In an interview with Mr. Richard S. Reynolds, Jr., president, Reynolds Metals Co., and a member of the Munitions Board's Advisory Committee, by the editor of United States News and World Report (January 5, 1951, edition, p. 38), Mr. Reynolds was asked, "In the last war, we needed about 2.7 billion pounds [aluminum per year] at the height of our military effort, didn't we?" Mr. Reynolds replied, "Yes. And it wasn't enough. The Navy and the Army designed away from aluminum because we needed all of it for aircraft and closely allied fields. In addition, there are lots of new uses in this program which have been developed since the last war. And they haven't even started in production. Just from the military inquiries we get, and the things they say they're using it for, we think that the requirements are low." Mr. Reynolds added that compared to those requirements present United States capacity is only 1.5 billion pounds per year, and that a total of only 2.5 billion pounds is being planned, whereas it is his opinion that 3.5 billion pounds will be required in any all-out war. Further, that the industry's capability for expansion of existing plants is not in as good shape as it was during the last war.

Marquis Childs reported from Washington on December 23, 1950, that:

"The plain fact is that contracts for vital defense orders are not being placed at anything like the speed which the crisis of unpreparedness calls for. Where the blame lies is a matter of dispute and the subject of the kind of buckpassing that is a Washington specialty.

"Civilian officials are inclined to blame the Pentagon for failing to come up with an over-all program of mobilization needs. Even if this were true, however, it hardly excuses the delays that have occurred. Certain basic steps so obviously had to be taken.

"It was first of all essential to build up the supplies of vital materials with emphasis on metals. This was necessary both to make the machines of war and for stockpiling.

"Yet on such a fundamental matter as the expansion of aluminum production a long series of delays had held up action. Toward the end of August the first moves were made. Some delay resulted from a controversy over whether production should be expanded in Canada or the United States.

"The decision was reached to expand the capacity of American companies. Three of them already producers and two new companies. The three firms already in the field had plants that could be reactivated within a fairly short time.

"There were more delays as the negotiations passed from one Government department to another. It was difficult to tell whether the fault lay in an excess of caution or merely in bureaucratic duplication and rivalry. Nearly a month ago press releases were issued by the General Services Administration saying that agreements had actually been reached with two of the large producers, Alcoa and Reynolds Metals.

"These press releases seem to have been premature to say the least. In any event, the necessary agreements were not signed at that time. Some of the contracts are still unsigned."

ANSWER II

First of all, it will be valuable to review the extent of submarine action against bauxite imports during World War II. On September 3, 1943, Mr. A. H. Bunker, Director of the Aluminum and Magnesium Division, War Production Board, addressed a memorandum to Mr. Charles E. Wilson, vice chairman, containing these statements:

"* * * the very first step which I took upon arriving here (Washington) was to cause a careful and thorough examination of domestic bauxite reserves to be made. It was immediately apparent that these reserves were inadequate to bear the full weight of a long and difficult war.

"We were very definitely concerned over the enormous requirements that might be placed upon shipping to conduct any large-scale war. We felt, for that reason, that every step should be taken to make this country entirely self-sufficient in supplying all of its necessary alumina from domestic raw materials.

"* * * we can claim self-sufficiency for the aluminum system, undoubtedly the most vital metal system in the entire conduct of the war, only provided we assume either a short war or a far greater degree of shipping freedom that we have ever enjoyed in the past two and a half years. Both of these premises seem to me to be extremely hazardous and are not assumptions upon which we should dare to risk the possible outcome of this war * * *."

The Reconstruction Finance Corporation emphasized on July 11, 1949, in its brief (p. 35) before the United States Court of Appeals for the Ninth Circuit that a national peril existed when they said:

"It is obvious, from a reading of the contract here concerned, entered into during the war at a time when enemy submarines were seriously menacing the vessels transporting our principal source of alumina to our shores, that it was a war contract within the purview of the Contract Settlement Act."

On May 15, 1947, Mr. Oliver C. Ralston, Chief of the Metallurgical Branch, United States Bureau of Mines, testified as follows before the subcommittee of the Committee on Public Lands, United States Senate, on the investigation of national resources (p. 92):

"We were decidedly embarrassed along at the beginning of 1943 when, of the 60 ore boats that were bringing aluminum ore from the north coast of South America to the United States, we reached a point where 52 out of the 60 had been sunk. No one dared to breathe the situation at the time to the people, or, more important, to the enemy. It was a large amount, and we went through the rest of the war with ships that were subsituted, not well built for that purpose. The special ore ships were prepared for fast loading and unloading. So, we fought the war with substitute ships."

Added to these 52 sunken boats were over 48 escort vessels, which went down trying to protect them. Engineering and Mining Journal, in June 1948, page 82, states that: "* * * over 100 bauxite ore carriers and escort vessels were sunk by German submarines, and an immense amount of shipping was allocated for the 2,500-mile haul to Gulf coast ports."

Business Week, August 26, 1950, page 32, states: "In a global war, shipping would be the weak link. During the last war, in the Caribbean, submarines took a heavy toll of ore boats from South American bauxite ports, and American aluminum producers felt the pinch."

In the light of the above experience, what can be expected from the Soviets with respect to our imports in any all-out war?

Brookings Institution reports that Russian submarine strength is three times greater than Germany's was during the last war, most of them of the advanced schnorkel type with longer range and higher speeds.

Janes' Fighting Ships reported from London on December 20, 1950, that the Soviet Union is rushing to build up a navy already far in excess of the normal requirements of defense; that 350 to 370 Russian submarines are believed already in service, with 120 more building, and that the capacity of Soviet shipbuilding is reported to be twice that of 10 years ago.

Moreover, the Associated Press reported on December 22, 1950, that Admiral Charles A. Lockwood, wartime commander of the United States submarine forces in the Pacific, stated that considerable Russian submarine activity has already been observed off the Pacific coast as early as last summer.

In the January 1951 edition of Reader's Digest, Dr. Vannevar Bush, president of the Carnegie Institution of Washington and one of America's foremost scientific military authorities, makes this observation:

"We must face, if we fight a major war in the not too remote future, fleets of undersea craft, fast and of long endurance, armed with extraordinarily deadly weapons—torpedoes of greater range, speed, and subtlety than the world has hitherto known. We face attacks on our merchant fleet by guided bombs from the air. We face the modern submarine mine, which is exceedingly difficult to sweep. Mines placed from the air, arranged so that they can be swept only with enormous effort, vastly increase the power of an enemy to deny us ports. Air attack on shipping has potent aids in rocket weapons and guided bombs.

"A great part of the equipment with which we fought submarines in the past war was rendered obsolete when a torpedo appeared that could outrange underwater, sound-detecting apparatus, and could home on its target by various means."

From the above evidence, it seems that there can be no question but that Russian submarine strength is vastly greater than was that of the Germans during World War II, capable of imposing tremendous damages on our shipping. Added to this is the threat of attacks on our merchant fleet by guided bombs and rocket weapons from the air, and the placing of mines by submarines and air to deny us ports for the loading and unloading of critical cargoes. Compare this combination with what the Germans had only in submarines and what they were able to do with them alone.

In the face of such a formidable threat to American shipping in any all-out war, which appears imminent, it would be foolhardy to impose upon our Navy and Air Force the terrific burden of protection needed to get these aluminum raw materials to our shores, if they could get through at all, when a substitute material is readily available within our own borders.

Again, on December 27, 1950, Fulton Lewis, Jr., reported from Washington on this subject that—

"We have to build airplanes to lick Russia.

"Also, we have to build up the gigantic aluminum stockpile so that we can keep on building them after the war starts. Industries making nonmilitary civilian goods of aluminum already have had their supplies drastically curtailed.

"The tragic part is that there is no need for any of it.

"Russia has a growing pack of snorkel submarines which, come a real war, will hit American shipping a lot harder than Germany's U-boat commanders ever dreamed of. And when the pack strikes we are going to be short a lot of important war materials, including aluminum.

"Hardly a merchant seaman alive will ever forget what the U-boats did to American ships bringing bauxite up the coast from Dutch Guiana. Bauxite is the ore from which aluminum is made.

"The Germans blew so many of these ships out of the water that the Government started scratching the crest of the earth here at home to find a substitute ore.

"A substitute was found in Wyoming, an ore known as anorthosite. The Reconstruction Finance Corporation in 1943 loaned $4,000,000 for construction of an anorthosite plant near Laramie, Wyo. The Bureau of Mines and other experts said the anorthosite substitute for bauxite would make good aluminum and that its supply was unlimited. This is important, in view of the snorkel pack we can expect on our sea coast.

"The Bureau of Mines already has reported to Congress that the anorthosite process is feasible. The National Security Resources Board is trying to stockpile strategic metal and almost everybody admits that the bauxite supply will drop fast when and if the snorkels start shellacking our Dutch Guiana shipping lanes. Yet nothing is done.

"It will be interesting to see how many of these eager bureaucrats, now experting on the situation, will be visible when and if the snorkel blasts our bauxite supply out of the water and we have nothing left but a prayer."

ANSWER III

In any consideration of the relative strength of fifth-column activities of the Germans during the last war and of the Russians today, the nature and effectiveness of economic warfare should be briefly dealt with.

In a 300-page book published in 1950, entitled "All Honorable Men," Dr. James Stewart Martin describes how the giant German industrial and financial combines subsidized Hitler and the Nazi military machine on the one hand, and on the other hand conspired to weaken Europe and America through favorable cartel agreements in preparation for world conquest; incidents of how the United States acually aided the enemy in wartime under the provisions of ordinary commercial agreements and what happened when the interests of businessmen, whose paramount concern was "business as usual," conflicted with United States war aims. Dr. Martin was special assistant to the Attorney General of the United States from March 1942 until December 15, 1945, and later served as chief of the decartelization branch of the military government in Germany. He stated that:

"As we worked on the search for bottlenecks in German production, we began to find a close relation between international business agreements for the restriction of production and the kinds of products which were especially critical in wartime. The trouble was that these international arrangements which pointed up the importance of certain commodities in the German economy had also resulted in restriction of production in the United States.

"These business arrangements operated at focal points where it was possible to turn on and off the main valves in economic pipelines. It was not long before we

found that the arrangement of valves and pipelines was a two-way affair. Our elation at the discovery that practically all of Germany's fine optical glass came from one factory, the Schott Works at Jena, was counteracted by the discovery that under the same working arrangement only one such factory of any importance existed in the United States. The pinpoint for bombing in Germany could be the blueprint for sabotage in the United States.

"But sabotage in its literal sense was not the point. As our piecemeal reports stacked up a picture began to emerge of an enemy that did not need the services of trained, professional spies and saboteurs. By agreement between German and American producers of magnesium—needed for aircraft—production in the United States before the war was limited to no more than 5,000 tons per year. In contrast, Germany in 1939 alone used 13,500 tons and during the next 5 years consumed magnesium at the rate of 33,000 tons per year. Here was a case where American 'business is business' men had, knowingly or unknowingly, helped a German firm to close some valves over here, with far more effect than the eight saboteurs could ever have achieved even if they had been allowed to do their utmost. Plants which have never been built are more dead than plants which have been bombed. A bombed plant may still live in its blueprints and in the trained labor force that has been operating it. As the evidence piled up to show German success in negotiating restrictive arrangements, the contrast between the limited possibilities of cloak-and-dagger sabotage and the greater possibilities of safely negotiated business arrangements became more and more heavily underlined with each passing of the black marias under our windows.

"We had started out to get a picture of our military enemy and had found a much bigger enemy, of a quite different sort from the popular picture of hobnailed Nazis with guns and tanks."

On the other hand, Russia's method of waging an economic war against the United States is of another form, but just as effective, if not more so. The methods used are quite well known, such as cornering the world market on such critical materials as manganese, cobalt, wool, etc., and at the same time obtaining, through agreement from our allies and through United States exporters, considerable tonnages of these same materials needed for her war machine. The obvious intent, of course, is to restrict American production in much the same manner as it was done by the Nazis during the last war through international business agreements. And any United States policy designed to ignore a domestic substitute for bauxite will most surely aid and abet such an intent.

There has been widespread publicity of communistic influence in our labor unions concentrated at key industrial centers where it would be possible to "turn on and off the main valves in economic pipelines," and also in the waterfront unions where imports could be seriously interfered with. Added to this is the notorious fact that Russia has concentrated subversive infiltration of Latin America on the Canal Zone, inspiring the Panamanian Government to repudiate its agreement permitting American bases in the immediate region. (Editorial page, Los Angeles Examiner, January 5, 1951.)

As early as June 12, 1950, Senator Owen Brewster announced that from an interview with Richard C. Patterson, Jr., American Ambassador to Guatemala, there was considerable Communist action in Guatemala in an effort to establish a western base on the North American Continent to be used as a fueling station for submarines. Similar activities of infiltration for the purpose of control have been reported in other Pan-American countries and in South America.

Pinkerton's National Detective and Guard Service, Los Angeles, report that although they have been furnishing guards for shipping concerns on the Pacific coast for the past 50 years, the International Longshoremen's and Warehousemen's Union (Harry Bridges) has forced them out of this picture through well organized union maneuvering, with the result that the guards previously furnished by Pinkerton and other concerns are now being furnished and dispatched direct from the ILWU hiring halls.

The Pacific Maritime Association reports that communistic influence on the waterfronts is without doubt now retarding shipping activities to some extent and, should any all-out war break out, its well organized minority would probably be able to shut off port activities to a standstill.

Victor Riesel in his syndicated column of January 6, 1951, discusses the Philadelphia-Chester Communist section, the world's second heaviest war production center, by saying that for 25 years the Communists have been busily engaged in setting up party apparatus in this key industrial center, and goes on to say:

"There, an activist from Baltimore, by name of Maynard, told the comrades that the time had come to finish kicking the anti-Commies out of the AFL Inter-

national Longshoremen's association in Philadelphia and replace them only with 'trusted' party members. He said that it was the party's duty in waterfront unions to recruit members and help seize other unions. He finished his report by saying that the Communist Party was very successful on the Philadelphia waterfront and it was only a matter of time before they had complete control of the docks here (Philadelphia).

"They had good reason to be cocky. They have power. Silently, unnoticed, they've organized here for 3 years. Some day the authorities, helpless for the moment to move into a labor situation, will reveal just how much power the party apparatus has in the world's second biggest defense production center.

"For 3 years the party's waterfront chief, Al Lannon, has been working here, while everybody wondered where he was. For three years he and some pro-Commie friends, by name of Martin and Marshall, had been meeting quietly with longshoremen stealthily building a machine, blithely promising to get them everything except breakfast in bed.

"A legitimate strike is on in this port. A Commie spokesman has promised the strikers 'heavy support.' He has 'guaranteed' they will win. The comrades will sure try to prolong this strike and the strike leaders are hereby warned."

The above description of what is now happening in the Philadelphia-Chester area parallels exactly what has already happened on the Pacific coast and what the union was able to do in retarding the relief supplies for Europe and the war supplies for China about two years ago. The same thing is, of course, going on in various degrees at other key ports, all of which means that Russia through her many years of communistic activity in this country, through "legal methods" in most cases, is many times stronger than were the Germans in this respect during the preceding World War II.

The arguments advanced here give all the more reason why the aluminum industry should be relieved of dependence upon foreign imports of bauxite. This fifth column activity, coupled with the submarine menace, would be a difficult combination to overcome, to say the least.

ANSWER IV

The following observations are made by Dr. Martin in "All Honorable Men," on pages 283–298, with regard to the monopoly situation:

"It would seem that the (international aluminum) alliance, with its fixed quotas, could prevent a competitive flood of aluminum from overseas.

"Alcoa kept its position as the only producer of primary aluminum in the United States for over 50 years by avoiding foreign and domestic competition. Foreign competition was knocked out by the international alliance. The matter of eliminating domestic competition followed the usual pattern: Use of patent litigation to squeeze out some competitors; absorbing other companies; buying up sources of raw material and power; and other moves that are familiar in the growth of a large trust.

"With the outbreak of World War II, Alcoa faced competition for the first time. Between 1941 and 1945, Reynolds and Kaiser broke into the field on the heels of a drastic aluminum shortage.

"In spite of the advantages enjoyed by Alcoa, its two competitors, Reynolds and Kaiser, made out well enough while the war was on. That brings us to the tariff reduction in 1947. Reynolds and Kaiser were by that time living dangerously on the fringe of the league. The relative standings in the industry are enough to indicate the strength of the contestants. In the United States, Alcoa had a capacity of 878,000,000 pounds; Reynolds, 474,000,000; Kaiser, 270,000,000. In Canada, Alcan sat across the line with a capacity of over 1,000,000,000 pounds, power costs of one-half cent per pound, and a new tariff of only 2 cents per pound, as against average power costs in the United States for all other producers of 3½ cents. As a result of the 'removal of restrictions on trade' by the International Trade Organization, Alcan had a clear margin to cut prices below the costs of Alcoa's competitors, if necessary. To preserve Alcoa's position as leader, Alcan could wade in and 'police' the industry by threatening a price war. The tariff reduction itself had no immediate effect on the price of aluminum in the United States. Alcan immediately increased its prices by exactly the same amount to offset the tariff reduction."

Dr. Martin goes on to say:

"Just as the six largest financial corporations in Germany interlocked with the dominant industrial firms, so there are eight large financial units in the American

economy which in recent years have assumed a comparable degree of power over here."

Among these eight financial units discussed by Dr. Martin are the Mellon holdings, including the Aluminum Co. of America, Gulf Oil, Koppers, and Westinghouse Electric.

"Through their cooperative control of the largest insurance companies and the agreements under which they manage all large security issues, these combinations of companies are in a position to determine the flow of a large part of the investment in the United States.

"In the case of war, for example, where the objective is not to make the most money, the habitual practices of investment experts get in the way. War production, with its demand for high output, imposes a strain on business organizations designed to operate at lower output and high prices.

"The great productive effort of World War II followed a long period of negotiations between Government and the management of industries to break production bottlenecks and allow materials to start rolling. There was resistance to expansion of basic industries, symbolized by the stacks of aluminum pots in every courthouse square, by the steel shortage, and by the delays in the synthetic rubber program."

In Light Metals Monopoly, published by the Columbia University Press, hereinbefore referred to, this statement is made:

"There is ample evidence of Alcoa's attempts to exclude others from the production of aluminum, the purchase and use of power and bauxite lands, the fabrication of castings, sheet, and other aluminum products. There is evidence of Alcoa's planned domination of certain corporations, entry into international agreements, and other voluntary, deliberate acts of monopolization, in the sense of 'contract, combination, or conspiracy in restraining of trade.' The activities of Alcoa are not merely of historical interest, for, in the recent expansion of production for war, Alcoa has been able to maintain much of its former control.

"The European aluminum producers, joined by Alcoa or Aluminum Ltd. (Alcoa's Canadian sister), have been closely organized in cartels since 1901, the most recent being the Alliance Aluminum Compagnie, incorporated in 1931 for 99 years.

"To prevent too great a cash drain through buying of members' surpluses, the alliance was empowered to restrict the production of its members by periodical fixing of quotas based on the number of shares of Alliance stock held by each.

"The alliance could also, of course, lower its buying price, but the original view of the founders was undoubtedly that the Alliance keep up its buying price and restrict production in order to maintain a high open market price.

"The Alliance, which was the most complete control system in the history of the old aluminum industry, maintained prices, restricted production and inventories, regulated relations with non-member firms, but permitted the German production of aluminum for war to be exempt from quota restrictions.

"Edward K. Davis, president of Alted (Aluminum Ltd.), testifying before the Truman Committee on National Defense, used the 'foreignness' of Alted to defend cartel activities, and said: 'My company's being foreign in the United States and permitted, I think, to act in conformity with foreign customs, did assist or participate in the formation of a company in Switzerland of which one of the effects was to keep the output of aluminum by the participants within limits that could be sold during the extreme depression.

"At the same time, as the alliance reduced production quotas to keep market prices up, and to avoid being loaded with large surpluses, the cartel needed some assurance that the powerful American producer would not expand its foreign sales in the face of European restrictions. Such a possibility would have wrecked the alliance. The assurance of Alcoa's cooperation may have been supplied by Alted.

"From the circumstances already described, which led to the concentration of production in Alcoa's hands and to the exclusion of independent producers (in the United States), it can be seen that defenders of permanent reduction of production would find some strong support in Washington (following World War II). This would imply great cut-backs of production to as near prewar levels as possible, distribution of a limited amount of aluminum at protected monopoly prices, and lack of interest in programs for developing broader and competitive markets for aluminum. The real future of the industry (and its effectiveness in meeting any wartime emergency) depends on the development of new markets, and monopoly conditions are a barrier to such development, if only because industrial buyers of aluminum might prefer not to be dependent on a material having only one domestic source of supply."

From the above, it is quite evident that the aluminum emergency in the last war and at the present time is a very definite result of a planned monopoly within the United States and of cartel agreements with foreign countries. While it is true that the Reynolds Metals Co. and Henry J. Kaiser have entered as "competitors," nevertheless, the result is only an oligopoly (a market where there are only a few sellers). Steady competition has not been promoted but, rather, communities of interest have been developed, as in the steel and rubber industries, with tacit or secret agreements as to market policy.

Light Metals Monopoly has this to say on this point:

"If one firm stands out in size, it might become the price leader of the others. Price discrimination might persist, especially if the companies were of unequal strength in particular fabricating fields, or if one competitor had to rely on another for bauxite, alumina, or sales outlets for aluminum manufacture."

The relative productive capacity of the three producing companies in the United States is approximately as follows: Alcoa, 51 percent; Reynolds, 29 percent; Kaiser, 20 percent; but Reynolds has experienced considerable difficulty in obtaining bauxite supplies, and Kaiser is operating under a 17-year contract with Alcoa for its bauxite requirements, as will be dealt with further along in this memorandum.

It is quite obvious under these circumstances that not only does an oligopoly exists, but that the three companies are of unequal strength and are forced to rely considerably upon the strong position Alcoa and its Canadian sister, Alcan, command.

On July 19, 1949, Dr. R. S. Dean, consulting metallurgical engineer, Washington, D. C. (formerly Assistant Director of the United States Bureau of Mines and a member of the Mineral Production Operating Committee of the War Production Board from 1943 to 1946) testified before the Committee on Interior and Insular Affairs, United States Senate, with regard to mineral resources development, as follows: (p. 206 of Hearing on Bills Relative to the National Minerals Act of 1949, July 15 to August 5, 1949).

"Since the end of World War II a very definite aluminum shortage has existed due to cutbacks in production by the industry. Production has shrunk since the close of that war from approximately 1,000,000 tons to 750,000 tons per annum by the withdrawal of refining units called 'potlines'.

"This cutback in production and the dismantling of producing plants was defended by the industry by its contention of a shortage of cheap power. However, maximum power rates could have been paid (as high as 9 mills per kilowatt-hour) and aluminum sold at very close to its present market price, which is 19 cents per pound. Moreover, within the industry gas turbines have been perfected to produce power at around 2 mills per kilowatt-hour. Obviously, the shortage of cheap power is not an entirely adequate explanation for the curtailment of production."

It is quite obvious that following the last war the industry inspired, caused, and permitted the dismantling of these aluminum plants that would be needed to produce the volume then attained, and all present indications are that military and civilian requirements for this metal will be very much greater than they ever were during that time.

In further support of this statement, Dr. R. S. Dean, in his report of November 28, 1949, "Aluminum Requirements in a National Emergency", stated that:

"No official figure has been given but it is generally accepted that in a major emergency twice the peak production of World War II or a rate of 2,000,000 tons of aluminum annually will be required as quickly as possible and thereafter maintainable for a long period."

also, that there is a general acceptance by the industry of the reduced volume of production as a permanent level (750,000 tons per year); and to insure that amelioration of these factors did not encourage production beyond this level, potlines constructed during the war had been dismantled by the industry.

Now that the Government is planning to double present production of aluminum in the United States through contract agreements with the three producing companies and two smaller firms newly entering the picture, the professed power shortage is being met through the use of new hydroelectric developments in Montana, coal-steam generation in the Ohio Valley, and expansion of present power facilities serving Reynolds and Kaiser. Had production not been restricted through planned monopoly, as herein pointed out, there would, of course, be no such dangerous shortage for military needs as the nation is now faced with.

As pointed out by Marquis Childs on December 23, 1950, there have been many delays through a controversy over whether production should be expanded in

Canada by Alcoa's sister, Alcan, or in the United States, and through time-consuming negotiations with various government agencies, with the result that some of the contracts are not now even signed.

As for Alcoa's continued attempt to control the major portion of production for this emergency, Drew Pearson recently reported on December 27, 1950, that a secret deal has now been made between the United States and Canada to expand Canadian aluminum production at the expense of aluminum mills in the United States, following urgings by Alcoa that the Government buy more aluminum from Canada. This would throw the business to Alcoa's Siamese twin, Alcan, and at the same time prevent building up Alcoa's competitors in the United States of America. This new aluminum production will be located in British Columbia, only 1,600 miles from Siberian air bases, as compared with proposed American plants on the Gulf coast, 5,000 miles from Siberia.

House judiciary chairman Celler, on January 3 last (International News Service, Washington, D. C.), protested this action, saying that it would threaten to wreck competition among United States producers, and said:

"This contract might well constitute the greatest blow to the entry of new competition into the aluminum industry which could possibly be devised during the present mobilization period."

Is it any wonder, then, that contracts to enable expansion of production for such a vital defense material as aluminum have been delayed longer than the crisis of unpreparedness demands through Alcoa's influence in blocking any progress until it could have time to put over such a deal as this to the detriment of a strong wartime industry in the United States?

Here, again, the influence of the giant monopoly is working against the demands of national defense, causing what could well turn out to be a national catastrophe.

ANSWER V

As for the chance of producing a satisfactory domestic substitute for bauxite it is best to first review the conditions leading up to that institution of a $30,000,000 experimental program by the Government in 1942 and 1943 to ascertain what could be done in this direction.

The United States Bureau of Mines had for many years been seeking a means of utilizing such materials as native clays and anorthosite for the production of aluminum. With the outbreak of World War II, efforts of the Bureau in this direction were greatly accelerated, and in 1942 Mr. O. C. Ralston, then Chief of the Nonferrous Metals Division, made this pertinent statement in a report submitted to the War Production Board concerning the use of the Monolith process for this purpose:

"Here is the kind of process we have been waiting for, one in which high extraction is not demanded and where the residue has enough value (for portland cement production) to pay for its own mining, transportation, and grinding. Other clay processes almost invariably lead to high processing costs.

"Stated in other words, here is a scheme permitting easy technology and low costs, adaptable for addition to existing cement plants; and the cement market is so much larger than the expended war aims on alumina that there is no problem involved in wedding the two."

This means that if approximately 50 percent of the cement plants in the United States were to produce alumina from the unlimited domestic reserves of anorthosite and clay through the adaptation of this process, sufficient alumina could be produced to maintain the entire American system at peak wartime requirements. This would obviously eliminate any reliance by the industry upon imports of bauxite from abroad.

On May 4, 1943, the National Academy of Sciences (Dr. Frank B. Jewett, president) reported to the War Production Board that "the alumina group in the past has on several occasions pointed out to the War Production Board that lime-soda-sinter processes are operable and technically feasible. The process as proposed by Monolith is a lime-soda-sinter process. The committee believes that alumina of proper physical and chemical properties for pot-room operations can be produced from anorthosite and limestone by the lime-soda-sinter process proposed by Monolith."

On May 19, 1943, Mr. Charles E. Wilson, Executive Vice Chairman, War Production Board, advised Under Secretary of War Robert P. Patterson, as follows:

"On May 17, 1943, I recommended that the War Department, together with Defense Plant Corporation, arrange with the American Nepheline Corp. to build

a semicommercial plant to produce alumina from clay in South Carolina. In that letter I outlined to you the over-all bauxite-alumina situation and explained that we feel it essential to develop in semicommercial plants processes to produce alumina from nonbauxite materials * * *.

"Since then, the proposal of the Monolith Portland Midwest Co. to build a plant to produce between 60 and 75 tons of alumina per day from anorthosite and limestone has been carefully reviewed and approved by the Aluminum and Magnesium Division and by the Operating Committee of the Mineral Resources Coordinating Division of the War Production Board * * *.

"We, therefore, now recommend that the War Department arrange with the Monolith Portland Midwest Co. to build a plant at Laramie, Wyo., with a capacity of 60 to 75 tons of alumina per day at a cost of approximately $3,885,000."

In the memorandum of September 3, 1943, by Mr. A. H. Bunker to Mr. Charles E. Wilson on this subject, Mr. Bunker stated:

"For example, 2½ years from now we (the United States) could be in a position to produce on a large commercial scale such alumina as we might need to support the present aluminum system."

This statement referred to the use of domestic clays and anorthosite as a substitute for bauxite and clearly shows that Government experts considered such a substitute to be not only necessary in any prolonged interruption of imports, but feasible as well.

The United States Bureau of Mines in its Report of Investigations on the Recovery of Alumina from Wyoming Anorthosite (R. I. 4132, November 1947, p. 3) makes this statement about the monolith process to utilize these unlimited reserves of domestic materials:

"Small-scale laboratory tests supplemented by pilot-plant runs have demonstrated that the alumina and soda occurring in the Wyoming anorthosite from the Laramie Range can be extracted and recovered satisfactorily by the (monolith) lime-soda process."

Further, on this subject, the testimony of Dr. R. S. Dean on July 19, 1949, before the Committee on Interior and Insular Affairs, United States Senate, contains these statements:

"The COMMITTEE CHAIRMAN. What is your opinion with respect to the process which is planned for that plant?

"Mr. DEAN. That, Mr. Chairman, was the subject of review by the War Production Board Committee of which I was a member at the time the plant was authorized. That Committee went into that process, and in comparison with a large number of other processes which were proposed and placed before it, and I concurred in the view of the Committee that that was one of the four processes which showed sufficient chance of being successfully made into a commercial process that it justified the construction of a pilot plant, and I have followed the construction of that plant and work which has been carried on by the company, and auxiliary work which has been carried on by the Bureau, and I think the decision arrived at by the Committee then that this was a promising process was a sound decision, and that nothing has happened to change it.

"The COMMITTEE CHAIRMAN. Can you express to the committee an opinion of the efficiency of the plant and the process in transforming that deposit into the alumina which appears to be required?"

"Mr. DEAN. It would appear from our investigations which have been made that there is every likelihood that commercial operation can be developed which will enable the manufacture of both a raw material for cement production and the production of alumina.

"If it is agreed, and I think it must be agreed, that a permanent solution of our national security with regard to aluminum requires substantial production from domestic sources on a basis which can eventually become economically sound, then to accomplish this requires the coordination of a number of factors. The raw materials must be available in large quantities of uniform quality and capable of large-scale mining. It must be amenable to treatment by a large-scale metallurgical process capable of producing high-grade alumina. While it is not essential that the production of alumina be tied in with the production of other industrial products, it is obviously of great advantage, particularly in the earlier stages of growth, if the aluminum-producing process can be tied in with the production of a stable commodity having a well-established market. From this viewpoint, the manufacture of alumina as a joint product with the manufacture of cement appears particularly desirable. Such a coordinated process for manufacturing alumina and cement is possible with several types of raw material. However, at

Laramie, Wyo., there is available a unique deposit of anorthosite which fulfills the requirements of large reserves and great uniformity as well as an indicated amenability to treatment for the joint production of alumina and cement."

It is obvious, therefore, that there is excellent scientific evidence that such a process to utilize a domestic substitute for bauxite can be developed satisfactorily on a large commercial basis capable of competing with the Bayer process, which process is dependent upon high-grade bauxite. But the most important policy consideration at this time is one of an assured supply of raw materials which are not dependent upon transportation over many miles of perilous ocean routes.

Reconstruction Finance Corporation argued before the United States Court of Appeals for the Ninth Circuit on October 11, 1949, with respect to this point, as follows (p. 41 of Transcript of Oral Argument on Appeal):

"* * * There were a great many plants where war contracts dealt with experimental processes, and many of them, such as the atomic bomb contracts, were a whole lot less certain than this (the experimental alumina plant at Laramie, Wyo.). The record shows that the processes have been improved to the extent that they would get alumina out of this process."

### AVAILABILITY OF REMEDY

There is now available at Laramie, Wyo., a Government-owned, semicommercial, experimental plant, designed and constructed by the Monolith Portland Midwest Co. for the purpose of demonstrating the economic feasibility of producing alumina from anorthosite and clay.

Historically, this plant, which cost the Government 4½ million dollars, is the only available asset remaining of an expenditure of 30 million dollars for four plants using different processes to produce this result. The remaining three plants had proved unsuccessful because of improper designing and termination of operations by the Government sooner than was required.

This plant is immediately available for an expeditious solving of the remaining problem standing between an assured supply of raw materials needed in the production of aluminum and the uncertainties presently existing.

It was designed by the best qualified men found in private and public fields. It was built of the best materials and with the best workmanship and under the strictest inspection and supervision, and is ready at once to proceed under the management which was in charge from the beginning.

The minimum time element which would be involved to conclusively test the process and build expanded units capable of supplying the industry requirements is probably greater than that period for which anyone could with confidence predict peace. But to delay the completion of the program any longer is to invite the chances of serious disaster. If Monolith were to start operations today and on an "emergency schedule," the processes could not be installed and expanded to make a substantial part of the tonnage needed in less than about 42 months.

The time items are—

(1) Employ crews, 3 months.
(2) Reactivate and finish plant, 3 months.
(3) Operate plant, 6 months.
(4) Design expanded units, 6 months.
(5) Build expanded units, 18 months.
(6) Employ and train expanded crews, 6 months.

The above being considered on an "emergency schedule" still leaves as possible an "extreme emergency schedule" under which it would be possible at the hazard of duplicating certain work to overlap sufficient of these periods to get somewhat of a satisfactory result in around 2 years.

It would seem, therefore, that proper governmental direction should be issued and the funds provided at once to conclusively test this very promising and essential process in the interest of the national defense.

There are in the States of Wyoming, California, Texas, and South Carolina, and in the Pacific Northwest and Great Lakes region, many billions of tons of highly aluminous materials which will lend themselves very ably to the techniques of this process; and, as hereinbefore pointed out,if approximately 50 percent of the American portland cement plants, located at the most favorable points, were to utilize such a process in balance with their respective cement production, all the alumina needed by the American aluminum industry could be produced, thus eliminating any imports whatsoever.

ABSOLUTE REQUISITES

I

On the basis of present American productive capacity of only 750,000 tons per annum, it is of course essential that a huge expansion will be required to meet present war aims for aluminum. Government planners have in process programs at this time to double this capacity, although it appears that most of the expansion will be installed in British Columbia to the detriment of the United States economy and security, where, being concentrated at one point, it will be more subject to enemy bombing than the widely dispersed plants in the United States. In any event, most experts who have studied this subject agree that capacity should be increased to something like 2,000,000 tons per year to be in a safe position, and this to be done in the United States rather than in Canada. (Dr. R. S. Dean, report, November 28, 1949, Aluminum Requirements In a National Emergency and Mr. Richard S. Reynolds, Jr., president, Reynolds Metals Co., and member of the Munitions Board's advisory committee, United States News and World Report, January 5, 1951.)

Such an expansion program will involve the expenditure of many millions of dollars and from 2 to 3 years' time, all of which indicates that a most expeditious decision should be made by the Government and the industry to proceed therewith at once.

II

In addition to the necessity of the above expansion of plant capacity, an adequate stockpiling program of aluminum metal should be instituted immediately to provide a 2-years' supply until the bauxite substitutes, clay and anorthosite, can be turned into aluminum oxide. This would mean a much heavier cut into civilian demand, but would be cheap insurance against our importations of bauxite being cut off.

THE PRESENT ALUMINUM INDUSTRY

For the most part, all bauxite imports are controlled by two North American companies, the Aluminum Co. of America and the Aluminum Co. of Canada, which companies are closely affiliated. The Henry J. Kaiser Co. is completely dependent upon Alcoa for its bauxite, operating under a 17-year contract whereby the company agrees to purchase from Alcoa all of its requirements. The Reynolds Metals Co. is presently operating on a very limited domestic source, the exhaustion of which will force it to an attempted use of Jamaican bauxite. This material contains considerable monohydrate, which will require much research and development work to enable its use in present processing facilities. A process for its treatment has not yet been satisfactorily perfected.

In point of fact, neither the Jamaican deposits nor their amenability to treatment are as well established as are these factors in the case of domestic anorthosite and clays (Dr. R. S. Dean testimony before the Committee on Interior and Insular Affairs, U. S. Senate, 81st Cong., 1st sess., on bills relative to the National Minerals Act of 1949, July 15 to August 5, 1949, p. 214).

Mr. Richard S. Reynolds, president of Reynolds Metals Co., in the January 5, 1951 edition of United States News and World Report, states that the controlling factor as to increased aluminum expansion is bauxite, which is very tightly held, that the only feasible foreign bauxite available to anyone other than Alcoa and Alcan is in the Caribbean (Jamaica), and that European sources are too far away. Further, that it is very difficult to get this bauxite in the Caribbean.

Alcoa's attitude in this is clearly shown by the Columbia University Press in Light Metals Monopoly:

"Raw materials have provided a springboard for concentration of control in the aluminum industry, although aluminum-bearing minerals are plentiful.

"Lower grade bauxite and clays cannot be used in the Bayer process, which requires high-alumina, low-silica ore.

"Not only are concentrated deposits of high-grade bauxite necessary (for the Bayer process), but it is desirable that they be found near the surface * * *.

"Although it would be wrong to say that Alcoa cornered the bauxite supply of the Americas, Alcoa was able to corner high-grade, domestic, American deposits and to exclude other interested parties from certain South American mines. From 1896 to 1939 Alcoa mined about 85 percent of the bauxite produced in Arkansas, sole important domestic source.

"Alcoa has imported about two-thirds of its requirements from Dutch Guiana, where it produced virtually 100 percent of the bauxite mined and, until 1928,

when alcoa transferred its British Guiana holdings to Aluminum Ltd., it produced 100 percent of the bauxite output in that area.

"From 1918 to 1933 five separate organizations endeavored to acquire bauxite deposits with a view to engaging in the manufacture of aluminum. Not one of these organizations ever succeeded in entering the industry and not one of them has been shown to have been able to acquire any domestic bauxite deposits.

"A considerable part of the testimony and argument in the 1937 antitrust suit against Alcoa centered around Alcoa's contention that there was an ample supply of bauxite in the United States available to potential competitiors, and the Government's opposite contention. But when Alcoa was countering accusations that its purchases of foreign ore lands had a monopolistic intent, the company asserted that these acquisitions were merely attempts to supplement an inadequate domestic supply. This implies, however, that no domestic deposits remained to which Alcoa or anyone else could turn for more bauxite.

"Alcoa acquired bauxite lands in southern France through a subsidiary, Bauxites du Midi, organized 1911–12 and also used to hold African bauxite lands. Later Alcoa organized bauxite subsidiaries in Yugoslavia and bought up bauxite properties in Italy. In its world-wide search for ore, Alcoa sent expeditions to France, Italy, Yugoslavia, Russia, Czechoslovakia, Rumania, India, and Africa. Its chief acquisitions, however, were made in British and Dutch Guiana.

"Bauxite was discovered in British Guiana in 1912, and Alcoa immediately sent investigators to find and claim lands there. By 1914 the Merrimac Chemical Co. of Woodburn, Mass., together with Southern Aluminum Co., a French firm, were in conflict with Alcoa scouts. An agreement was reached for a temporary partnership, which terminated by a contract of December 3, 1914. Merrimac sold out its British Guiana interests to Alcoa in return for cash and for Alcoa's promise to supply Merrimac's chemical needs with bauxite for 30 years at a special price. Large, choice bauxite properties along the Demerara River were bought up or leased from the British and Colonial governments by Alcoa. By 1928 the Demerara Bauxite Co., Ltd., an Alcoa subsidiary organized in 1916, held 24,816 acres with an estimated content of 16,500,000 tons of bauxite. Alcoa contested by legal action the attempt of the Uihleins to acquire bauxite lands in British Guiana.

"In Dutch Guiana Alcoa acquisitions were rapidly completed between 1915 and 1920 shortly after the discovery of bauxite there. In 1916 Alcoa organized Surinaamsche Bauxit Maatschappij to hold its Dutch Guiana properties. By 1937 this company had acquired over 95,000 acres and was the sole bauxite producer of the colony. Most of these holdings were obtained within 15 months after the explorations of Alcoa scouts in October 1915.

"Thus Alcoa gained control of strategically located Guiana deposits on the north coast of South America, maintained ample raw material reserves for itself and apparently frustrated efforts of competitors, as correspondence and testimony in the 1937 suit would strongly suggest.

"The lack of competitive ventures into bauxite mining may have reflected not only Alcoa's determined efforts to exclude others from the mines, but also a want of confidence on the part of possible competitors, who were made aware of Alcoa's other advantages.

"If methods based on alunite and other clays found within the borders of the United States should reach the stage of effective competition with the Bayer process, they will remove the monopolistic potentialities from bauxite control. Until they do, conditions of bauxite supply will have some influence.

"As mining becomes more mechanized and attains a larger scale, it tends to be controlled by the aluminum producers, partly in the interests of better technical balance and control of quality, partly because aluminum monopolists in the producing countries have correctly regarded control of bauxite deposits as indispensable in meeting competition, so long as the Bayer process dominates.

"Alcoa's acquisition of bauxite mines, power plants, fabrication facilities—in short, all its investments not directly channeled into aluminum potrooms—has increased the minimum of capital investment which outsiders would need in order to enter the industry. Any competitor is forced to integrate, in order to avoid dependence on Alcoa as a sales outlet for ingot, or as a source of the raw material at some stage of production. The most highly integrated aluminum production in the Western Hemisphere is organized in Canada by Aluminium, Ltd (Alted), which is controlled by leading stockholders in Alcoa.

"New processes using aluminum-rich clays such as alunite will also help to free the industry from monopolistic restraints. More firms in each country, as well as more countries, can be drawn into the world supply. But, if past expe-

rience is a guide, new processes may not succeed easily without Government subsidy of investment and research."

It has already been shown that at best the present aluminum industry is no more than an oligopoly, with the two smaller producers being subservient to the dominant position held by the larger. The factors contributing to the continued maintenance of Alcoa's dominance have also been dealt with, except for two significant ones, as follows:

(1) Alcoa has had in the past, and still has, tremendous influence in Government agencies and with Government advisory committees through public officials strongly sympathetic toward its practices;

(2) Decisions affecting aluminum production and expansion thereof for the military are largely guided by an industry advisory committee, which in turn is dominated by the committee chairman, I. W. Wilson, vice president of Alcoa.

That Mr. Oscar Ewing, Federal Security Administrator, was Alcoa's counsel when the company was effectuating its control of the industry during World War II is pointed up in Light Metals Monopoly in the following manner:

"Grenville R. Holden, OPM consultant on aluminum and magnesium, told the Truman committee: 'I think * * * Alcoa as the only producer of aluminum is the only place where we are sure that we can get aluminum.' But he failed to study Reynolds' facilities before deciding to confine the Government's expansion program to Alcoa. He was even prepared to recommend a proposal of Alcoa's counsel, Oscar Ewing, that the War Department buy the Fontana Dam site from Alcoa. The plant had been kept idle to avoid recapture under the terms of a Federal Power Commission license. Ewing had proposed that the War Department build the dam and power facilities, and lease them to Alcoa for 5 years with the lessee having option to buy. If it had been adopted, the proposal would have reversed the long-run power policies of the Federal Government.

"'I was prepared to recommend anything that would get aluminum', stated Holden, when questioned on his attitude toward Alcoa."

It is, of course, too much to expect that Mr. Ewing, with his influence in the administration, has completely severed all interest in Alcoa's aspirations. To the contrary, it is more than likely that behind the scenes he will be found championing Alcoa's cause and influencing governmental decisions to their benefit.

Dr. James Stewart Martin observes that—

"During the war, several (Government) agencies were empowered to help expand production and research in important fields, including aluminum. A look at how these agencies behaved, even assuming the best of intentions on the part of all concerned, shows how much deadwood still stands in the way of really productive effort in field where 'well established' concerns have already set a restrictive pattern.

"From the outset the troubles of the Reynolds Metals Co. were as much with the Government agencies set up to assist war production as they were with Alcoa itself. The 'competition' between Reynolds and Alcoa extended not only to the marketing of aluminum, but to the relations of the two companies with Government agencies.

"Far more can be done by understanding the position of an agency like the RFC, which has figured so heavily in the curious stalemate in aluminum.

"The time has come to turn a spotlight on the planless economic planning that comes from the tremendous concentration of Government funds in the hands of an agency like the RFC. In administering its affairs according to the time-worn principles of 'business practice,' the RFC seems to have fallen down at critical points where the public good is involved."

Further evidence of this influence with Government agencies is referred to earlier in this statement wherein it appears that Alcoa finally became successful in prevailing upon the United States Government to make a deal with the Canadian Government just recently for the installation of 500,000 tons added annual capacity in Canada, instead of permitting new competition in the United States.

Another interesting part of this pattern is that until just recently the National Security Resources Board has had the final decision on the methods to be used in meeting this drastic aluminum shortage. In this Board is an Office of Production, Nonferrous Metals Division, whose deputy chief, Dr. R. L. Sebastian, individually passes on general and technical matters concerning such matters. Dr. Sebastian is a former WPB official who as early as 1942 was strenuously opposed to any development as encompassed in the effort to develop a domestic substitute for bauxite for no other reason than his sympathetic leanings toward Alcoa and its practices.

On October 19, 1942, Drew Pearson commented that—

"Someday a congressional investigating committee may do a thorough job on the tragic way in which production of strategic war materials has been held back, unwittingly or otherwise, by certain big industries and their $1-a-year friends in the WPB. If ever fully published, the story will amaze the public.

"The Aluminum Co. of America and its $1-a-year friends in WPB didn't want to develop low-grade aluminum clays in the United States, insisting on importing its own clay across the submarine-infested Caribbean.

"This National Academy of Sciences is an organization which could stand some scrutiny. It has set up committees to advise the WPB on iron, manganese, aluminum, and most strategic materials. However, both Ickes and Senator O'Mahoney, of Wyoming, have charged that these committees were mere academic window dressing for the big metal companies.

"For instance, one Academy report written for the WPB opposing sponge iron was actually authored, according to Senator O'Mahoney, by William A. Haven, vice president of Arthur G. McKee & Co., manufacturers of blast furnaces. How a manufacturer of blast furnaces could be expected to be impartial regarding a new iron process which does away with blast furnaces is hard to understand.

"Representatives of big business are packed on other WPB subcommittees which pass on new methods of getting strategic materials—methods which frequently compete with long-entrenched big business methods. Here are some of them:

"Dr. John Johnston, director of research for United States Steel Corp.

"Zay Jeffries of General Electric, formerly with Aluminum Co. He sits on the committee passing on new aluminum methods, which compete with Alcoa.

"M. F. McConnell and Robert R. Sosman, United States Steel Corp.

"R. S. A. Daugherty and Charles H. Herty, Jr., Bethlehem Steel.

"James H. Critchell and A. B. Kinzel of Union Carbine.

"Clyde Williams, director of the Battelle Memorial Institute, which is close to most of the big metallurgical companies."

As for the effectiveness of the so-called Munitions Board's Industry Advisory Committee in blocking the development of competing processes, it is revealing to note that when on September 18, 1947, the Munitions Board requested funds of the Bureau of the Budget to proceed with a similar experimental alumina project at Harleyville, S. C., the request was denied upon the advice of the committee that there was no need to do anything further.

In the Munitions Board's letter to Budget Bureau Director James E. Webb, this statement is made:

"In summarizing, it is desired to emphasize that in addition to the foregoing, from a national security viewpoint, the need for a domestic source of alumina is more urgent today than during the war, since much of the known high-grade domestic ore (bauxite) has been consumed. Further, in order to capitalize with a minimum expenditure on the funds already expended on this project, the work should be completed now."

Mr. P. A. Dulin, Jr., a member of this same Industry Advisory Committee, protested this action in a letter to Mr. I. W. Wilson, Chairman of the Committee on October 24, 1947, by saying:

"I have read carefully your letter of October 20 to Captain Granum and also your report of the same date as to the advisability of continuing the experiment at the Harleyville, S. C. plant. I am glad that you made it clear in your letter that this was the view of the three producers of alumina and aluminum and not the opinion of the entire Advisory Board.

"We must all agree that this experiment at Harleyville has certainly made progress in developing a substitute for bauxite. Inasmuch as the United States has less than 5 percent of the known proven supply of bauxite in the world, we should find a substitute for this strategic material. I believe that sooner or later, whether we are engaged in another war or not, the production of aluminum from bauxite in this country will be a thing of the past. I am of the opinion that the American people should be protected in this respect, and that some raw material be proven whereby we will not be dependent on any foreign source of supply for raw materials for the manufacture of aluminum pig.

"I am opposed to disposing of the Harleyville, South Carolina plant, and it is my unbiased opinion that any money spent on research to develop a substitute for any raw material as vital as bauxite is to the aluminum industry is money well spent. The project should be continued."

The Harleyville plant was disposed of anyway, and represented another victory for the giant monopoly.

Mr. I. W. Wilson is still Chairman of this Industry Advisory Committee on Aluminum Production, which Committee still continues through his influence to give the death sentence to projects such as this.

Perhaps, it will take a congressional investigation to remove the serious impediments created by this monopoly in order that the American public can be protected with a source of raw material so vital to the defense of the Nation. At any rate, if the public were to have a first-hand knowledge of this situation, perhaps some progress might be made.

Senator THYE. That ends the hearing, and there are no scheduled hearings for the future.

I thank all of you patiently sitting through the long lunch hour.

The meeting stands adjourned.

(Whereupon, at 1:35 p. m., the meeting adjourned.)

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